

OFFICIAL STATEMENT DATED NOVEMBER 7, 2023

In the opinion of Bond Counsel, under existing law, assuming continuing compliance by the District (herein defined) after the date of initial delivery of the Bonds (defined below) described below with certain covenants contained in the Bond Order (defined below) authorizing the Bonds and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"), and (2) will not be an item of tax preference for purposes of the alternative minimum tax; however, such interest may be taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations. See "TAX MATTERS" herein.

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE—BOOK-ENTRY-ONLY

RATINGS: S&P (AGM Insured) "AA/Stable"
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.

\$5,100,000

ROLLING V RANCH WATER CONTROL & IMPROVEMENT DISTRICT NO. 2 OF WISE COUNTY
(A political subdivision of the State of Texas, located within Wise County, Texas)

UNLIMITED TAX ROADS BONDS, SERIES 2023

Dated: December 1, 2023

Interest Accrues From: Date of Delivery

Due: September 1, as shown below

The \$5,100,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds"), are obligations of Rolling V Ranch Water Control & Improvement District No. 2 of Wise County (the "District") and are not obligations of the State of Texas; Wise County, Texas; the City of Rhome, Texas ("Rhome"); or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Wise County, Texas; Rhome; nor any entity other than the District is pledged to the payment of principal of or interest on the Bonds.

Interest on the Bonds accrues from the initial date of delivery (on or about December 12, 2023) (the "Date of Delivery"), and is payable on September 1, 2024, and on each March 1 and September 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve thirty-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is Regions Bank, an Alabama state banking corporation, Houston, Texas (the "Paying Agent/Registrar").

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 **ASSURED GUARANTY MUNICIPAL CORP. ("AGM")**.



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

The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of constructing, acquiring, improving, maintaining, and operating roadways and improvements in aid thereof to serve the District (the "Road System"). At an election held on November 3, 2020, voters of the District authorized the District's issuance of a total of \$100,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System to serve the District and \$125,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

Following the issuance of the Bonds, \$94,900,000 principal amount of unlimited tax bonds for the Road System and \$125,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System will remain authorized but unissued. See "THE BONDS—Authority for Issuance."

The Bonds, when issued, will constitute legal, valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS—Source of Payment."

The Bonds are subject to certain risk factors described herein. Prior to making an investment decision, prospective purchasers of the Bonds are encouraged to read this entire Official Statement, including particularly the section titled "RISK FACTORS."

The Bonds are offered, when, as and if issued by the District, subject, among other things, to the approval of the Attorney General of Texas and the approval of certain legal matters by Winstead PC, Dallas, Texas, Bond Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about December 12, 2023.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIP NOS.

\$5,100,000 UNLIMITED TAX ROAD BONDS, SERIES 2023

\$3,365,000 SERIAL BONDS

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	Cusip No. 77571Q (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	Cusip No. 77571Q (b)
2025	\$ 105,000	7.500%	4.150%	AA7	2035 (c)	\$ 185,000	5.000%	4.650%	AL3
2026	115,000	7.500%	4.150%	AB5	2036 (c)	195,000	5.000%	4.700%	AM1
2027	120,000	7.500%	4.150%	AC3	2037 (c)	205,000	5.000%	4.750%	AN9
2028	125,000	7.500%	4.150%	AD1	2038 (c)	215,000	5.000%	4.800%	AP4
2029	135,000	7.500%	4.200%	AE9	2039 (c)	225,000	5.000%	4.850%	AQ2
2030 (c)	140,000	5.375%	4.250%	AF6	2040 (c)	240,000	5.000%	4.900%	ARO
2031 (c)	150,000	5.000%	4.300%	AG4	****	****	****	****	****
2032 (c)	155,000	5.000%	4.400%	AH2	2047 (c)	350,000	5.000%	5.010%	AY5
2033 (c)	165,000	5.000%	4.500%	AJ8	2048 (c)	365,000	5.000%	5.020%	AZ2
2034 (c)	175,000	5.000%	4.600%	AK5					

\$1,735,000 TERM BONDS

\$800,000 Term Bonds due September 1, 2043 (c)(d) Interest Rate: 5.000% (Price: \$100.238) (a) CUSIP No. 77571Q AU3 (b)
 \$935,000 Term Bonds due September 1, 2046 (c)(d) Interest Rate: 5.000% (Price: \$100.000) (a) CUSIP No. 77571Q AX7 (b)

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- (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 will be 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. None of the District, the Financial Advisor (herein defined) or the Initial Purchaser shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.
- (c) 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 as 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 in this Official Statement, 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, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel, 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.

The Financial Advisor (defined herein) has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in the Official Statement in accordance with, and as part of, its responsibility to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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

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

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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 interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIP NOS." on the inside cover page of this Official Statement, at a price of 97.003453% of the principal amount thereof, which resulted in a net effective interest rate of 5.267119%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

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.

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 reoffering prices, including sales to dealers who may sell the Bonds into investment accounts.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and related entities. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 20, 2023, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 13, 2023, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Capitalization of AGM

At September 30, 2023:

- The policyholders' surplus of AGM was approximately \$2,569 million.
- The contingency reserve of AGM was approximately \$908 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

- i. the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (filed by AGL with the SEC on March 1, 2023);
- ii. the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (filed by AGL with the SEC on May 10, 2023);
- iii. the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 (filed by AGL with the SEC on August 9, 2023); and
- iv. the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 (filed by AGL with the SEC on November 8, 2023).

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

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

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than

with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE."

RATINGS

The Bonds have received an insured rating of "AA/stable" from S&P solely in reliance upon the issuance of the Policy at the time of delivery of the Bonds by AGM. 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, 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. 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 their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the ratings discussed above.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

<i>The District</i>	Rolling V Ranch Water Control & Improvement District No. 2 of Wise County (the “District”), a political subdivision of the State of Texas, is located in Wise County, Texas and is wholly in the extraterritorial jurisdiction (“ETJ”) of the City of Rhome, Texas (“Rhome”). See “THE DISTRICT—General” and “—Description.”
<i>The Bonds</i>	The District’s \$5,100,000 Unlimited Tax Road Bonds, Series 2023 (the “Bonds”), are dated December 1, 2023, and mature on September 1 in each of the years and in the principal amounts as shown on the inside cover page hereof. Interest on the Bonds accrues from the date of initial delivery (expected to be on or about December 12, 2023) (the “Date of Delivery”), at the rates set forth on the inside cover page hereof, and is payable on September 1, 2024, and on each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. See “THE BONDS.”
<i>Redemption of the Bonds</i>	<u>Optional Redemption:</u> Bonds maturing on or after September 1, 2030, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2029, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS—Redemption of the Bonds— <i>Optional Redemption.</i> ” <u>Mandatory Redemption:</u> The Bonds maturing on September 1 in the years 2043 and 2046 are term bonds (“Term Bonds”) and are subject to certain mandatory redemption provisions as set forth herein under “THE BONDS—Redemption of the Bonds— <i>Mandatory Redemption.</i> ”
<i>Book-Entry-Only System</i>	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York, pursuant to the book-entry-only system described 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 (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of The Depository Trust Company for subsequent payment to the Beneficial Owners of the Bonds. See “THE BONDS—Book-Entry-Only System.”
<i>Source of Payment</i>	Principal and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem property tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District, and are not obligations of the State of Texas; Wise County, Texas; Rhome; or any entity other than the District. See “THE BONDS—Source of Payment.”
<i>Authority for Issuance</i>	The Bonds are issued pursuant to (i) an order adopted by the Board of Directors of the District (the “Board”) on the date of sale of the Bonds (the “Bond Order”); (ii) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 51 of the Texas Water Code, as amended; (iii) Chapter 9021, Texas Special District Local Laws Code (the “District Act”); and (iv) an election held within the District on November 3, 2020.
<i>Voted Authorization</i>	At an election held on November 3, 2020, voters of the District authorized the District’s issuance of a total of \$100,000,000 principal amount of unlimited tax bonds for the purpose of constructing, acquiring, improving, maintaining, and operating roadways and improvements in aid thereof to

serve the District (the "Road System"); \$125,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; \$100,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, sanitary sewer and drainage facilities to serve the District (the "Utility System"); and \$125,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System. See "THE BONDS—Authority for Issuance."

The Bonds constitute the first series of unlimited tax bonds issued by the District. Following the issuance of the Bonds, \$94,900,000 principal amount of unlimited tax bonds for the Road System; \$125,000,000 principal amount of refunding bonds for the Road System; \$100,000,000 principal amount of bonds for the Utility System; and \$125,000,000 principal amount of refunding bonds for the Utility System will remain authorized but unissued.

Use and Distribution of Bond Proceeds..... Proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for the road improvements and related engineering and land costs as shown herein under "THE BONDS—Use and Distribution of Bond Proceeds." Additionally, a portion of the proceeds of the Bonds will be used to pay eighteen (18) months of capitalized interest, developer interest, and certain costs associated with the issuance of the Bonds

Qualified Tax-Exempt Obligations..... The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions."

Municipal Bond Insurance and Rating..... Assured Guaranty Municipal Corp ("AGM"). See "MUNICIPAL BOND INSURANCE."

Ratings..... S&P Global Ratings (AGM insured): "AA/Stable." See "MUNICIPAL BOND INSURANCE" and "RATINGS."

General & Bond Counsel..... Winstead PC, Dallas, Texas. See "LEGAL MATTERS."

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

Financial Advisor..... Robert W. Baird & Co. Incorporated, Irving, Texas.

District Engineer..... LJA Engineering, Inc., Dallas, Texas.

THE DISTRICT

Description..... Rolling V Ranch Water Control & Improvement District No. 1 of Wise County ("RVR WCID 1") was created by House Bill 3991, 80th Regular Session of the Texas Legislature on September 1, 2007, as a water control and improvement district. On February 12, 2020, RVR WCID 1's board of directors elected to divide RVR WCID 1 into three (3) separate districts, creating the District and Rolling V Ranch Water Control & Improvement District No. 3 ("RVR WCID 3"). The District is located within Wise County, Texas. See "THE DISTRICT—General." The District encompasses approximately 385.68 acres.

Location..... The District is located wholly within the ETJ of Rhome and is bounded on the east by RVR WCID 1 and F.M. 3433, on the south by RVR WCID 3 and on the north by State Highway 287. The District is located within Northwest Independent School District.

Master District Facilities..... The District is one of four (4) water control and improvements districts collectively comprising approximately 3,332 acres herein referred to as the "Service Area." The District, RVR WCID 1, RVR WCID 3, and Rolling V Ranch Water Control and Improvement District No. 4 ("RVR WCID 4"), collectively referred to herein as the "Participants," make up the Service Area. RVR WCID 3 has agreed to serve as the "Master District" to provide to the Participants the water, wastewater, roadway and storm drainage facilities necessary to serve the Service Area (the "Master District Facilities"). It is expected that in

the future the District will levy a contract tax to pay its pro rata share of Master District Facilities. See “THE SYSTEM—Joint Facilities Agreement.”

Developer and Principal Landowner..... PMB Rolling V Land, LP (“PMB RV Land”), a Texas limited partnership, is a single-purpose entity created for the purpose of owning, as an investment, land within the Service Area. PMB Rhome Developer West 1 LLC (“PMB Developer West” or the “Developer”) was created for the purpose of purchasing and developing land within the District. PMB RV Land and PMB Developer West are affiliates of PMB Capital investments (“PMB”). PMB is a privately held real estate investment and development company based in Dallas, Texas. PMB has 20 active projects across more than 12,000 acres in the Dallas-Fort Worth metropolplex, including residential, mixed-use and commercial projects. PMB RV Land and PMB Developer West are collectively referred to herein as the “Developing Entities.”

PMB RV Land purchased all of the land within the District (approximately 385.68 acres). To date, PMB RV Land has sold approximately 199.37 acres to PMB Developer West for the purpose of developing land within the District. As of September 1, 2023, PMB RV Land continued to own approximately 175.02 acres of land reserved for future development and approximately 11.29 acres of undevelopable land within the District.

To date, PMB Developer West has developed approximately 92.79 acres within the District as Bluestem, Phase 1 (249 residential lots) and is currently developing approximately 97.96 acres as Bluestem, Phase 2 (271 residential lots). As of September 1, 2023, PMB Developer West continued to own 13 vacant developed lots. See “DEVELOPER AND PRINCIPAL LANDOWNER.”

Development within the District..... Land within the District is being developed as the single-family subdivision known as “Bluestem.” To date, approximately 92.79 acres within the District have been developed as Bluestem, Phase 1 (249 residential lots). As of September 1, 2023, the District consisted of 159 completed homes (approximately 124 occupied homes), 38 homes under construction, and 52 vacant developed lots. Additionally, approximately 97.96 acres within the District are currently under development as Bluestem, Phase 2 (271 residential lots). The remaining land within the District consists of approximately 175.02 undeveloped but developable acres and approximately 19.91 undevelopable acres. See “DEVELOPMENT WITHIN THE DISTRICT—Current Status of Development.”

Homebuilders in the District..... The active homebuilder within in the District is D.R. Horton Texas Ltd. New homes within the District range in price from \$343,000 to \$430,000 and range in size from 1,659 square feet to 2,852 square feet. See “DEVELOPMENT WITHIN THE DISTRICT—Homebuilders.”

RISK FACTORS

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED “RISK FACTORS.”

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2023 Certified Taxable Assessed Valuation	\$ 21,177,234	(a)
Estimate of Value as of September 1, 2023	\$ 73,132,786	(b)
Direct Debt:		
The Bonds.....	<u>\$ 5,100,000</u>	
Total.....	<u>\$ 5,100,000</u>	
Estimated Overlapping Debt.....	<u>\$ 1,090,043</u>	(c)
Total Direct and Estimated Overlapping Debt	<u>\$ 6,190,043</u>	(c)
Direct Debt Ratios:		
As a percentage of 2023 Certified Taxable Assessed Valuation	24.08 %	
As a percentage of Estimate of Value as of September 1, 2023	6.97 %	
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2023 Certified Taxable Assessed Valuation	29.23 %	
As a percentage of Estimate of Value as of September 1, 2023	8.46 %	
General Operating Fund (as of October 3, 2023)	\$ 31,845	(d)
Road System Debt Service Fund (as of Delivery of the Bonds).....	\$ 405,788	(e)
2023 Tax Rate		
Road Debt Service	\$0.000	
Maintenance & Operations.....	<u>\$1.000</u>	
Total.....	<u>\$1.000</u>	
Average Annual Debt Service Requirements on the Bonds (2025–2048, high years).....	\$ 373,756	
Maximum Annual Debt Service Requirement on the Bonds (2047).....	\$ 385,750	
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual		
Debt Service Requirements on the Bonds (2025–2048, high years) at 95% Tax Collections		
Based Upon 2023 Certified Taxable Assessed Valuation (\$21,177,234).....	\$1.86	
Based Upon the Estimate of Value as of September 1, 2023 (\$73,132,786).....	\$0.54	
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual		
Debt Service Requirement on the Bonds (2047) at 95% Tax Collections		
Based Upon 2023 Certified Taxable Assessed Valuation (\$21,177,234).....	\$1.92	
Based Upon the Estimate of Value as of September 1, 2023 (\$73,132,786).....	\$0.56	
Number of Single-Family Homes (including 38 homes under construction) as of September 1, 2023	197	

- (a) Represents the taxable assessed valuation as of January 1, 2023, of all taxable property in the District, as provided by the Appraisal District (hereinafter defined). See "TAX PROCEDURES" and "TAX DATA."
- (b) Provided by the Appraisal District for information purposes only. Reflects the addition of value of new construction within the District from January 1, 2023 to September 1, 2023. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAX PROCEDURES."
- (c) See "DISTRICT DEBT—Estimated Direct and Overlapping Debt Statement."
- (d) See "RISK FACTORS—Operating Funds."
- (e) Represents eighteen (18) months of capitalized interest on the Bonds. Such amount will be deposited into the Road System Debt Service Fund (hereinafter defined) as of Delivery of the Bonds. Neither Texas Law nor the Bond Order (hereinafter defined) requires that the District maintain any particular sum in the District's Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System (hereinafter defined).

OFFICIAL STATEMENT

relating to

\$5,100,000

ROLLING V RANCH WATER CONTROL & IMPROVEMENT DISTRICT NO. 2 OF WISE COUNTY (A Political Subdivision of the State of Texas Located in Wise County, Texas)

UNLIMITED TAX ROAD BONDS, SERIES 2023

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Rolling V Ranch Water Control & Improvement District No. 2 of Wise County (the "District") of its \$5,100,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to (i) an order adopted by the Board of Directors of the District (the "Board") on the date of sale of the Bonds (the "Bond Order"); (ii) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 51 of the Texas Water Code, as amended; (iii) Chapter 9021, Texas Special District Local Laws Code (the "District Act"); and (iv) an election held within the District on November 3, 2020.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Winstead PC, 500 Winstead Building, 2728 N. Harwood Street, Dallas, Texas 75201 or during the offering period from the District's Financial Advisor, Robert W. Baird & Co. Incorporated, Attn: Ryan Nesmith, 6363 State Highway 161, Suite 310, Irving, Texas 75038.

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Wise County, Texas; the City of Rhome, Texas ("Rhome"); or any other political subdivision, will be secured by a continuing direct annual ad valorem property tax, without legal limitation as to rate or amount, on all taxable property located within the District. (See "THE BONDS—Source of Payment.") The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the bondholders of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "—Bondholders' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the future residential, commercial, retail, and multi-family industries. New residential, commercial, retail, and multi-family construction can be significantly affected by factors such as interest rates, construction costs, energy costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date. See "DEVELOPMENT WITHIN THE DISTRICT."

Location and Access: The District is located approximately 30 miles northeast of the central business district of the City of Fort Worth, Texas. As a result, particularly during increased times of competition, the Developer may be at a competitive disadvantage to the developers of other projects located closer to major urban centers or in a more developed state.

Competitive Nature of Residential Market: The residential housing industry in and around Rhome is very competitive, and the District can give no assurance that the building programs which are planned by the Developer or D.R. Horton will be continued or completed. The competitive position of a builder in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District.

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. The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption "TAX DATA—Principal Taxpayers," the District's ten principal taxpayers in 2023 owned property located in the

District, with an aggregate assessed valuation of \$21,177,234, which comprised 100% of the District's total assessed valuation. The Developing Entities (hereinafter defined) owned approximately 13.44% of the District's taxable assessed valuation as of January 1, 2023 and D.R. Horton owned approximately 39.60% of the District's taxable assessed valuation as of January 1, 2023.

In the event that the Developing Entities, D.R. Horton, any other principal taxpayer, or any combination of taxpayers should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, if any, 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 Order to maintain any specified amount of surplus in its debt service fund. See "TAX DATA—Principal Taxpayers" and "TAX PROCEDURES—Levy and Collection of Taxes."

Developer Under No Obligation to the District: The Developer has informed the District of its current plans to continue to develop land in the District for residential purposes. However, the Developer is not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer (see "TAX DATA—Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on its ability to pay taxes. See "DEVELOPER AND PRINCIPAL LANDOWNER," and "DEVELOPMENT WITHIN THE DISTRICT."

Maximum Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, 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 2023 Certified Taxable Assessed Valuation of property located within the District (see "TAX DATA") is \$21,177,234 and the Estimate of Value as of September 1, 2023 is \$73,132,786. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds will be \$385,750 (2047) and the average annual debt service requirement on the Bonds will be \$373,756 (2025-2048, high years, inclusive). Assuming no increase to, nor decrease from, the 2023 Certified Taxable Assessed Valuation, tax rates of \$1.92 and \$1.86 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no increase to, nor decrease from, the Estimate of Value as of September 1, 2023, tax rates of \$0.56 and \$0.54 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

For the 2023 tax year, the District levied a total tax rate of \$1.00 per \$100 of assessed valuation for maintenance and operations purposes.

Vacant Developed Lots: As of September 1, 2023, approximately 52 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.

Operating Funds

The District levied a 2023 maintenance tax of \$1.00 per \$100 of assessed valuation and expects to reduce its maintenance tax when it levies its initial debt service tax in 2024. The District's general fund balance as of October 3, 2023, was \$31,845. The revenue produced from a reduced maintenance tax rate in subsequent years may not be sufficient to offset the operating expenses of the District. Continued maintenance of positive general fund balance will depend upon (1) cash subsidies from the Developer and (2) continued development and maintenance tax revenue. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming, and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within six (6) months of

foreclosure unless the property is his residence homestead or designated for agricultural use, in which case the taxpayer may redeem the property within two years of foreclosure). 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 assessed against such taxpayer. The District's lien on taxable property within the District for taxes levied against such property can be foreclosed only in a judicial proceeding.

Bondholders' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the registered holders of the Bonds (the "Bondholders") 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 Order does not provide for remedies to protect and enforce the interests of the Bondholders. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Bondholders.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's governmental immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Bondholders cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Bondholders may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Bondholders' Rights

The enforceability of the rights and remedies of Bondholders may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a district, such as the District, to obtain the approval of the Texas Commission on Environmental Quality (the "TCEQ") as a condition to seeking relief under the Federal Bankruptcy Code.

Notwithstanding noncompliance by the District with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9 of the Federal Bankruptcy Code ("Chapter 9"), thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning District relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to a Bondholder could potentially and adversely impair the value of the Bondholder's claim.

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

The District may not be placed into bankruptcy involuntarily.

Marketability

The District has no understanding with the winning bidder for the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, since such bonds are more generally bought, sold and traded in the secondary market.

Future Debt

After the issuance of the Bonds, the following voted authorization will remain authorized but unissued: \$94,900,000 principal amount of unlimited tax bonds for the Road System (herein defined); \$125,000,000 principal amount of refunding bonds for the Road System; \$100,000,000 principal amount of bonds for the Utility System (herein defined); and \$125,000,000 principal amount of refunding bonds for the Utility System. The District may also issue any additional bonds as may hereafter be approved by both the Board and the voters of the District.

Following the issuance of the Bonds, the District will owe the Developer (herein defined) approximately \$5,500,000 in reimbursables for Road System improvements and approximately \$10,340,000 in reimbursables for Utility System improvements, the funds for which were advanced by the Developer.

Continuing Compliance with Certain Covenants

The Bond Order 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, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement. TCEQ approval of the Bonds is not required, and, therefore, no engineering report or bond application has been submitted to the TCEQ and neither the Bonds, the project, nor the feasibility of the District will be reviewed, considered, or approved by the TCEQ with respect to the Bonds.

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 TCEQ may impact new industrial, commercial and residential development in the District and surrounding area. Under the Clean Air Act (“CAA”) Amendments of 1990, the Dallas-Fort Worth area (“DFW Area”)—Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties, and Rockwall County for the purposes of the 2008 Ozone Standards only—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While Texas has been able to demonstrate steady progress and improvements in air quality in the DFW Area, the DFW Area remains subject to CAA nonattainment requirements.

The DFW Area is currently designated as a serious ozone nonattainment area under the 1997 Ozone Standards. On June 24, 2019, the EPA proposed approval of redesignation of the DFW to “attainment” for the 1997 Ozone Standards, which would terminate the serious nonattainment area “anti-backsliding” requirements and leave the DFW Area subject only to the nonattainment area requirements under the 2008 Ozone Standard and the 2015 Ozone Standard.

On October 7, 2022, the EPA published final notice reclassifying the DFW Area from “serious” to “severe” under the 2008 Ozone Standard, effective November 7, 2022. As the DFW Area is now designated a “severe” nonattainment area, it must meet the attainment date of July 20, 2027 with an attainment year of 2026. The “severe” nonattainment classification provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

On October 7, 2022, the EPA published final notice reclassifying the DFW Area from “marginal” to “moderate” under the 2015 Ozone Standard, effective November 7, 2022. The attainment deadline for the DFW Area under the 2015 Ozone Standard is August 3, 2024, with an attainment year of 2023.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the DFW Area 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 DFW Area. These SIP requirements can 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. It is possible that additional controls will be necessary to allow the DFW Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the DFW Area’s economic growth and development. As a result of the DFW Area’s

reclassification, the TCEQ must submit revisions of the SIP to the EPA no later than January 1, 2023, addressing the “moderate” nonattainment classification and by May 2024 addressing the “severe” nonattainment classification.

Water Supply & Discharge Issues: Water supply and discharge regulations that water control and improvement 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 DFW 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. Water control and improvement 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), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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 water control and improvement districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

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

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in

which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

Future and Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in Congress and in the State of Texas that, if enacted, could alter or amend the federal or state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit, or any benefit, of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

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.

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 District which is recovered by the District 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 of the Policy (the "Insurer") at such time and in such amounts as would have been due absence such prepayment by the District unless the 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 Insurer without appropriate consent. The Insurer may direct and must consent to any remedies and the Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the 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 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 Insurer and its claims paying ability. The 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 Insurer and of the ratings on the Bonds insured by the 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 Insurer are contractual obligations and in an event of default by the 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 has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the 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 Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATINGS" for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Replacement of Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, 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. The District or the Paying Agent/Registrar may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

THE BONDS

General

The Bonds are dated December 1, 2023, and will mature on September 1 in the years and in the principal amounts indicated on the inside cover page hereof. Interest on the Bonds accrues from the initial date of delivery (on or about December 12, 2023) (the "Date of Delivery"), at the rates set forth on the inside cover page hereof, and is payable on September 1, 2024, and on each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. The Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. Principal of the Bonds will be payable to the Bondholder thereof at maturity or earlier redemption upon presentation of Bonds at the principal payment office of Regions Bank, an Alabama state banking corporation, Texas (the "Paying Agent/Registrar"). If not then subject to the Book-Entry-Only System described below, interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to Bondholders as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date"), or by other such customary banking arrangements as may be acceptable to the Paying Agent/Registrar and the Bondholder at the expense and risk of the Bondholder.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC, New York, New York, while the Bonds are registered in its nominee's name. The information in this section concerning DTC and its "Book-Entry-Only System" has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants", together with the Direct Participant(s), the "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 ownership interest of each actual purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner

entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the District or Paying Agent/Registrar, 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 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 Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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 of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry 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.

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

Redemption of the Bonds

Optional Redemption: The Bonds maturing on and after September 1, 2030, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2029, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption. The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

Mandatory Redemption: The Bonds maturing on September 1 in the years 2043 and 2046 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:

\$800,000 Term Bond Maturing on September 1, 2043

<u>Mandatory Redemption Date</u>	<u>Pincipal Amount</u>
September 1, 2041	\$ 255,000
September 1, 2042	265,000
September 1, 2043 (Maturity)	280,000

\$935,000 Term Bond Maturing on September 1, 2046

<u>Mandatory Redemption Date</u>	<u>Pincipal Amount</u>
September 1, 2044	\$ 295,000
September 1, 2045	310,000
September 1, 2046 (Maturity)	330,000

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 Order. The principal amount of any Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bonds, which, by the 45th day prior to 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 sentence.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax, other governmental charges, or other expenses required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 of principal amount for any one maturity and for a like aggregate principal 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 fifteen (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 thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. See “—Book-Entry-Only System” herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Successor Paying Agent/Registrar

Provision is made in the Bond Order 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 legally qualified national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority to act as and perform the services of Paying Agent/Registrar for the Bonds under the Bond Order.

Authority for Issuance

At an election held on November 3, 2020, voters of the District authorized the District's issuance of a total of \$100,000,000 principal amount of unlimited tax bonds for the purpose of constructing, acquiring, improving, maintaining, and operating roadways and improvements in aid thereof to serve the District (the "Road System"); \$125,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; \$100,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, sanitary sewer and drainage facilities to serve the District (the "Utility System"); and \$125,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System.

The Bonds are issued pursuant to (i) the Bond Order; (ii) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 51 of the Texas Water Code, as amended; (iii) the District Act; and (iv) an election held within the District on November 3, 2020.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any parity bonds hereinafter issued. The Bonds are obligations of the District and are not the obligations of the State of Texas; Wise County, Texas; Rhome; or any other political subdivision or any entity other than the District.

Funds

The Bond Order creates a fund for debt service on the Bonds issued for the Road System and any additional unlimited tax bonds issued by the District for the Road System (the "Road System Debt Service Fund"). Eighteen (18) months of capitalized interest on the Bonds will be deposited from the proceeds from sale of the Bonds into 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 for the Road System, and any additional unlimited tax 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 for payment of debt service on the Bonds and any of the District's other duly authorized bonds issued for the Road System payable in whole or in part from taxes. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds for the Road System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due

Payment Record

The Bonds represent the first series of unlimited tax bonds issued by the District.

Defeasance

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

There is no assurance that the current law will not be changed in a manner which would permit other investments to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Bondholders may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as currently permitted under Texas law. There is also no assurance that any investment held for such discharge will maintain its rating.

Annexation, Dissolution and Consolidation

In certain circumstances, under Texas law, the District may alter its boundaries to: (1) upon satisfying certain conditions, annex additional territory; and (2) exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would affect any changes in its boundaries.

The District lies wholly within the ETJ of Rhome. Pursuant to the Rhome Development Agreement (hereinafter defined) among other terms, the District is immune from full-purpose annexation by Rhome until the earlier of (i) December 26, 2027; or (ii) the date that the construction of Public Infrastructure (hereinafter defined) to serve 100% of the District is complete and bonds have been issued by the District for reimbursement of all eligible costs relating to such Public Infrastructure. See "DEVELOPMENT AGREEMENT WITH RHOME." Annexation of territory by the Rhome is a policy-making matter within the discretion of the Mayor and City Council of Rhome, and therefore, the District makes no representation that Rhome will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of Rhome to make debt service payments should the annexation occur.

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 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 Ability to Issue Additional Debt

After the issuance of the Bonds, the following voted authorization will remain authorized but unissued: \$94,900,000 principal amount of unlimited tax bonds for the Road System; \$125,000,000 principal amount of refunding bonds for the Road System; \$100,000,000 principal amount of bonds for the Utility System; and \$125,000,000 principal amount of refunding bonds for the Utility System. The District may also issue any additional bonds as may hereafter be approved by both the Board and the voters of the District.

The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing direct annual ad valorem property tax, without legal limitation as to rate or amount, levied against all taxable property within the District.

Following the issuance of the Bonds, the District will owe the Developer approximately \$5,500,000 in reimbursables for Road System improvements and approximately \$10,340,000 in reimbursables for Utility System improvements, the funds for which were advanced by the Developer.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District's engineer, LJA Engineering, Inc. (the "Engineer"), 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 System and Road System facilities and to serve the remaining development of the undeveloped land and roads within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE SYSTEM," and "RISK FACTORS—Future Debt."

Bondholders' Remedies

The Bond Order contains a covenant that, while any of the Bonds are outstanding, there shall be assessed, levied, and collected an annual ad valorem tax, without legal limit as to rate or amount, on all taxable property within the District, sufficient to pay principal of and interest on the Bonds and any additional tax-supported bonds when due and to pay the expenses necessary in collecting taxes. Texas law and the Bond Order provide that in the event that the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order into the Utility System Debt Service Fund or the Road System Debt Service Fund, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any Bondholder shall be entitled at any time to a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board to observe and perform any covenant, obligation, or condition prescribed by the Bond Order. Such right is in addition to all other rights the Bondholders may be provided by the laws of the State of Texas.

Except for mandamus, the Bond Order does not specifically provide for remedies to a Bondholder 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 Bondholders. There is no acceleration of maturity of the Bonds in the event of default. Consequently, the remedy of mandamus is a remedy which may have to be relied upon from year to year by the Bondholders.

Even if the Bondholders could obtain a judgment against the District, such judgment could not be enforced by direct levy and execution against the District's property. Further, the Bondholders cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Certain traditional legal remedies also may be unavailable. The enforceability of the rights and remedies of the Bondholders may be further limited by federal bankruptcy laws, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See “—Bankruptcy Limitation to Bondholders' Rights” below.

Bankruptcy Limitation to Bondholders' Rights

Other than a writ of mandamus and other relief authorized by law, the Bond Order does not expressly provide a specific remedy for a default. Even if a Bondholder could obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, a Bondholder could petition for a writ of mandamus issued by a court of competent jurisdiction requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. See “RISK FACTORS—Bondholders' Remedies” and “—Bankruptcy Limitation to Bondholders' Rights.”

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to the Public Securities Procedures Act, Chapter 1201, Texas Government Code, as amended, and Section 49.186, Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such law that the Bonds have a rating of not less than “A” or its equivalent to be legal investments for such entity's funds. The Bonds are eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State of Texas or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value.

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

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Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for the road improvements and related engineering and land costs as shown in the table below. Additionally, a portion of the proceeds of the Bonds will be used to pay eighteen (18) months of capitalized interest, developer interest, and certain costs associated with the issuance of the Bonds.

Construction Costs	
1. Bluestem, Phase 1—Paving	\$ 2,293,233
2. Bluestem, Phase 1—Grading	489,953
3. Bluestem, Phases 1 & 2—Engineering & Testing	1,038,501
4. Bluestem, Phase 1—ROW Landscaping	<u>81,216</u>
Total Construction Costs	\$ 3,902,903
Non-Construction Costs	
1. Legal Fees	\$ 127,500
2. Financial Advisor Fees	102,000
3. Interest	
(a) Capitalized Interest (18 Months)	405,788
(b) Developer Interest	338,886
4. Bond Discount	152,824
5. Engineering Report Fees	25,000
6. Attorney General Fee	5,100
7. Bond Issuance Expenses	<u>40,000</u>
Total Non-Construction Costs	\$ 1,197,097
Total Bond Issue Requirement	\$ 5,100,000

The Engineer has advised the District that the 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.

In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for roads or improvements in aid thereof.

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THE DISTRICT

General

Rolling V Ranch Water Control & Improvement District No. 1 of Wise County (“RVR WCID 1”) was created by the District Act, effective September 1, 2007, as a water control and improvement district operating pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and Chapters 49 and 51 of the Texas Water Code, as amended. On February 12, 2020, RVR WCID 1’s board of directors elected to divide RVR WCID 1 into three (3) districts, creating the District and Rolling V Ranch Water Control & Improvement District No. 3 of Wise County (“RVR WCID 3”). The District was confirmed by an election held within the District on November 3, 2020.

The District is empowered, among other things, to purchase, construct, acquire, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, and construct roads to serve the District. The District may also provide solid waste collection and disposal service and operate, maintain and construct recreational facilities. Currently, RVR WCID 3, in its capacity as the Master District, provides water and wastewater service and roadway facilities to users within the District pursuant to an agreement with Rhome as described under “DEVELOPMENT AGREEMENT WITH RHOME” below. See “THE SYSTEM.”

The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. Fire protection for the District is provided by Rhome. The District is subject to the continuing supervision of the TCEQ.

Description

The District is located wholly within the ETJ of Rhome and is bounded on the east by RVR WCID 1 and F.M. 3433, on the south by RVR WCID 3 and on the north by State Highway 287. The District is located within Northwest Independent School District. The District is comprised of approximately 385.68 acres.

Management of the District

The District is governed by a board of five (5) directors which has control over and management supervision of all affairs of the District. Directors are elected in even-numbered years for four-year staggered terms. The present members and officers of the Board listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Taylor Shaw	President	2026
Will Frazier	Vice President	2026
Ramsey Bell	Secretary	2024
Sam Dethrow	Assistant Secretary	2024
Robert Gojuangco	Assistant Secretary	2024

The District has contracted with following companies and individuals for professional services and to operate its utilities:

Tax Assessor/Collector: Land and improvements in the District are being appraised by the Wise County Appraisal District. The Tax Assessor/Collector is appointed by the Board. Deidra Deaton, Interim Chief Appraiser of the Wise County Appraisal District, currently serves the District in this capacity via contract with the District.

Bookkeeper: The District’s bookkeeper is Dye & Toverly, LLC.

Auditor: The District engaged McCall Gibson Swedlund Barfoot PLLC to audit its financial statements for the fiscal year ended April 30, 2023. The District’s audited financial statements are attached as “APPENDIX A” to this Official Statement.

Engineer: The consulting engineer retained by the District in connection with the design and construction of the District’s facilities is LJA Engineering, Inc (the “Engineer”).

Bond & General Counsel: The District has engaged Winstead PC, Dallas, Texas, as Bond Counsel in connection with the issuance of the District’s Bonds. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds. Winstead PC, Dallas, Texas also serves as the District’s general counsel.

Disclosure Counsel: McCall, Parkhurst & Horton, L.L.P., Dallas, Texas, as Disclosure Counsel in connection with the issuance of the District’s Bonds. The fees of Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Robert W. Baird & Co. Incorporated 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 employed by the District and has participated in the preparation of the Official Statement; however, 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 in this Official Statement that has been supplied or provided by third-parties.

DEVELOPMENT AGREEMENT WITH RHOME

Effective September 30, 2019, PMB RV Land (hereinafter defined) and Rhome entered into the “Development Agreement for the Rolling V Ranch.” Such agreement was amended by the following: a First Amendment to the Development Agreement, effective June 7, 2022; a Second Amendment to Development Agreement, effective August 11, 2022; a Third Amendment to Development Agreement, effective August 11, 2022; and a Fourth Amendment to Development Agreement, effective August 11, 2022 (collectively, the “Rhome Development Agreement”). Accordingly, pursuant to the Second Amendment to the Rhome Development Agreement dated August 11, 2022, the District became a party to the Rhome Development Agreement.

The Rhome Development Agreement, among other various provisions, establishes the following: (i) the respective regulations for the development of the District; (ii) that Rhome has exclusive jurisdiction over the review and approval of (a) final plats; (b) building permitting, and (c) the design, construction installation and inspection of water, sewer, drainage, roadway and other public infrastructure to serve the Service Area (as hereinafter defined) (the “Public Infrastructure”), including the District; (iii) the platting process and fees; (iv) provisions for providing police, fire and emergency services to the District; (v) annexation provisions; and (vi) consent to the creation of the District. The Rhome Development Agreement also establishes that Rhome will be the wholesale provider of water to the District, which was later formalized into the Wholesale Water Supply Agreement described herein. See “THE SYSTEM—Description of the Utility System—*Agreement Regarding Wholesale Treated Water.*”

The term of the Rhome Development Agreement expires on December 26, 2027, unless extended by mutual agreement of Rhome, PMB RV Land and the District.

Interlocal Cooperation Agreement for Policy, Fire and Emergency Services

Effective July 1, 2022, the RVR WCID 1 entered into an “Interlocal Cooperation Agreement for Law Enforcement and Fire Protection and Emergency Medical Services” with Rhome (the “Interlocal Agreement”). The Interlocal Agreement covers the Service Area and has been assigned to RVR WCID 3, which will eventually serve as the Master District provider of services to the District, and has been ratified by the District. In exchange for providing one (1) licensed and certified peace officer, the districts have agreed to reimburse Rhome in aggregate for the one-time capital cost for the purchase of one patrol vehicle not to exceed \$85,000 and pay for the reasonable and necessary costs of police services in an amount not to exceed an annual fee of \$77,000, plus \$15,000 for indirect costs and \$3,557 for workers compensation insurance costs. In exchange for providing fire protection and emergency medical services, the districts have agreed to pay the reasonable and necessary costs for such services in an amount not to exceed an annual fee of \$80,000, plus \$1,089 for workers compensation insurance costs. Additionally, the districts have agreed to provide a one-time capital contribution of \$100,000 to Rhome within 30 days of the execution of the Interlocal Agreement. The initial term of the Interlocal Agreement began on July 1, 2022 and will continue in force through September 30, 2024, unless otherwise terminated in accordance with the terms of the Interlocal Agreement. The Interlocal Agreement will automatically renew annually unless the District or Rhome notifies the other party in writing not less than 90 days prior to the expiration of the applicable term of its desire to terminate.

DEVELOPER AND PRINCIPAL LANDOWNER

The 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 subdivision, designing the utilities and streets to be constructed in the subdivision, 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 certain instances, the developer will be required to pay up to thirty percent (30%) of the cost of constructing certain of the water, wastewater and drainage facilities in a water control and improvement district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of its property within a water control and improvement district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. 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 ordinarily a major taxpayer within a special purpose district during the development phase of the property.

Developer and Principal Landowner

PMB Rolling V Land, LP (“PMB RV Land”), a Texas limited partnership, is a single-purpose entity created for the purpose of owning, as an investment, land within the Service Area. PMB Rhome Developer West 1 LLC (“PMB Developer West” or the “Developer”) was created for the purpose of purchasing and developing land within the District. PMB RV Land and PMB Developer West are affiliates of PMB Capital Investments (“PMB”). PMB is a privately held real estate investment and development company based in Dallas, Texas. PMB has 20 active projects across more than 12,000 acres in the Dallas-Fort Worth metroplex, including residential, mixed-use and commercial projects. PMB RV Land and PMB Developer West are collectively referred to herein as the “Developing Entities.”

PMB RV Land purchased all of the land within the District (approximately 385.68 acres). To date, PMB RV Land has sold approximately 199.37 acres to PMB Developer West for the purpose of developing land within the District. As of September 1, 2023, PMB RV Land continued to own approximately 175.02 acres of land reserved for future development and approximately 11.29 acres of undevelopable land within the District.

To date, PMB Developer West has developed approximately 92.79 acres within the District as Bluestem, Phase 1 (249 residential lots) and is currently developing approximately 97.96 acres as Bluestem, Phase 2 (271 residential lots). As of September 1, 2023, PMB Developer West continued to own 13 vacant developed lots and approximately 8.62 undevelopable acres.

The Developer is a single-purpose entity formed for the purpose of developing land it owns in the District. The District makes no representation as to the likelihood of the planned development to occur or the pace at which the planned development might occur. The Developer is a thinly capitalized corporation whose assets consist primarily of the land within the District and receivables due from the District for development costs. The Developer has minimal net revenues. Neither the Developer nor any affiliated company is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, the description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor any affiliated company has any legal commitment to the District or to owners of the Bonds to continue development of the land within the District and the Developer, Developing Entities or principal landowner may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developing Entities is subject to change at any time. Because of the foregoing, financial information concerning the Developing Entities will neither be updated nor provided following issuance of the Bonds, except as described herein under "CONTINUING DISCLOSURE INFORMATION." See "RISK FACTORS—Dependence on Principal Taxpayers."

Development Financing

PMB RV Land has received a loan in the amount of \$18,000,000 from Vantage Bank Texas, dated January 27, 2021, with an interest rate of WSJ prime minus 0.25%, or 8.25% as of October 2023. Such loan matures on January 27, 2025 and is collateralized by future District reimbursement/receivables and excess land outside the boundaries of the District. The outstanding balance of such loan as of October 2023, was \$4,400,634. According to PMB RV Land, they are performing and are current on all payment obligations on the loans.

Lot Sales Contracts

The Developer has entered into lot sales contracts with D.R. Horton Texas Ltd. ("D.R. Horton") for the first three (3) phases of development within the District. The contract for the sale of the lots between the Developer and D.R. Horton requires that earnest money be deposited with a title company and subsequently released to the Developer once certain conditions are met. In this instance, D.R. Horton's earnest money represents 19% of the total price of completed lots. The sales contract establishes certain required lot purchases quarterly, with the earnest money returned to D.R. Horton pro rata with the purchase of each lot under contract. The Developer's sole remedy for D.R. Horton not purchasing lots in accordance with the contract is cancellation of the contract and retention of the remaining outstanding earnest money. According to the Developer, D.R. Horton is in compliance with its lot-sales contract. As of September 1, 2023, the approximate total number of lots contracted and purchased by D.R. Horton is listed below:

<u>Builder</u>	<u># of Lots Contracted</u>	<u># of Lots Purchased</u>
D.R. Horton	650	236

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DEVELOPMENT WITHIN THE DISTRICT

Current Status of Development

Land within the District is being developed as the single-family subdivision known as “Bluestem.” To date, approximately 92.79 acres within the District have been developed as Bluestem, Phase 1 (249 residential lots). As of September 1, 2023, the District consisted of 159 completed homes (approximately 124 occupied homes), 38 homes under construction, and 52 vacant developed lots. Additionally, approximately 97.96 acres within the District are currently under development as Bluestem, Phase 2 (271 residential lots). The remaining land within the District consists of approximately 175.02 undeveloped but developable acres and approximately 19.91 undevelopable acres.

The table below summarizes the status of development within the District as of September 1, 2023:

<u>Section</u>	<u>Acreage</u>	<u>No. of Lots</u>	<u>Homes</u>		<u>Vacant Lots</u>
			<u>Complete</u>	<u>Under Construction</u>	
Bluestem, Phase 1	92.79	249	159	38	52
Subtotal	92.79	249	159	38	52
Under Development	97.96				
Undevelopable	19.91				
Remaining Developable	175.02				
Total District Acreage	385.68				

Homebuilders

The active homebuilder within in the District is D.R. Horton. New homes within the District range in price from \$343,000 to \$430,000 and range in size from 1,659 square feet to 2,852 square feet.

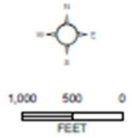

D.R. Horton is a subsidiary of and controlled by D.R. Horton, Inc. D.R. Horton, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for D.R. Horton, Inc. can be found online at <https://investor.drhorton.com>. D.R. Horton, Inc. is subject 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 D.R. Horton, Inc. can be inspected at the office of the SEC (hereinafter defined) 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.

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LOCATION MAP



Photo: SmartView.com/Mapbox; Aerial Imagery: 2022 © 2022 LJA, Inc. All Rights Reserved.

<p>ROLLING V RANCH WATER CONTROL AND IMPROVEMENT DISTRICT 2</p> <p>OCTOBER 2023</p> <p>LEGEND  ROLLING V RANCH WCID 2</p>		 <p>WISE COUNTY</p> <p>ANNUAL PHOTOGRAPH DATE: 10/20/2023</p> <p><small>THIS PRODUCT IS FOR INFORMATIONAL PURPOSES AND MAY NOT HAVE BEEN PREPARED FOR OR BE SUITABLE FOR LEGAL, PROFESSIONAL, OR SURVEILING PURPOSES. IT DOES NOT REPRESENT AN OFFICIAL SURVEY AND REPRESENTS ONLY THE APPROXIMATE RELATIVE LOCATION OF PROPERTY BOUNDARIES.</small></p> <p>LJA 5060 North Central Expressway Suite 400 Dallas, Texas 75206 Phone: 469.621.0716 LJA.com</p>
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PHOTOGRAPHS OF THE DISTRICT
(October 2023)



TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District’s assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order 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 the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District’s tax base, its debt service requirements and available funds. At an election held within the District on May 1, 2021, voters within the District authorized the District to assess, levy and collect ad valorem taxes in an amount sufficient to meet its obligation to pay for the District’s share of the Master District Facilities. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed \$1.00 per \$100 of assessed valuation for operation and maintenance purposes. For the 2023 tax year, the Board levied a tax rate of \$1.00 per \$100 of assessed valuation for operation and maintenance purposes. Upon closing and delivery of the Bonds, eighteen (18) months of capitalized interest on the Bonds will be deposited into the District’s Road System Debt Service Fund.

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).
Joint Utility System Contract:	Unlimited (no legal limit as to rate or amount).
Joint Road System Contract:	Unlimited (no legal limit as to rate or amount).
Maintenance & Operations:	\$1.00 per \$100 of Assessed Valuation.

Historical Values and Tax Collection History

The following table illustrates the collection history of the District for the tax years 2022-2023:

Year	Assessed Valuation	Tax Rate per \$100 (a)	Tax Levy	Current Collections	Tax Year Ending 9/30	Collections as of 9/30/2023
2022	\$ 2,487,217	1.000000	\$ 24,872	100.00%	2023	100.00%
2023	21,177,234	1.000000	211,772	(b)	2024	(b)

- (a) See “—Tax Rate Distribution” below.
 (b) In process of collection.

Tax Rate Distribution

	2023	2022 (b)
Debt Service (a)	-	-
Maintenance & Operations	\$ 1.00000	\$ 1.00000
Total	\$ 1.00000	\$ 1.00000

- (a) The District anticipates levying its initial debt service tax rate component in 2024.
 (b) Initial year of tax levy.

Analysis of Tax Base

The following table illustrates the District’s total assessed value in the years 2021-2023, by type of property:

Type of Property	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation
Land	\$ 19,532,246	\$ 4,514,992	\$ 4,729,410
Improvements	6,941,549	49,981	44,770
Personal Property	22,992	6,951	-
Exemptions	(5,319,553)	(2,084,707)	(4,697,270)
Total	\$ 21,177,234	\$ 2,487,217	\$ 76,910

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2023:

<u>Taxpayer</u>	<u>Property Type</u>	<u>2023 Taxable Assessed Valuation</u>	<u>% of 2023 Assessed Valuation</u>
DR Horton Texas LTD (a)	Land & Improvements	\$ 8,386,826	39.60%
The Developing Entities (b)	Land & Improvements	2,845,224	13.44%
Rhome Development Partners LLC	Land & Improvements	352,595	1.66%
Homeowner	Land & Improvements	317,424	1.50%
Homeowner	Land & Improvements	314,851	1.49%
Homeowner	Land & Improvements	244,564	1.15%
Homeowner	Land & Improvements	242,319	1.14%
Homeowner	Land & Improvements	237,860	1.12%
Homeowner	Land & Improvements	231,343	1.09%
Homeowner	Land & Improvements	<u>231,266</u>	<u>1.09%</u>
Total		\$ 13,404,272	63.30%

(a) See “DEVELOPMENT WITHIN THE DISTRICT—Homebuilders.”

(b) Represents \$9,434 of taxable assessed valuation for PMB RV Land and \$2,835,790 of taxable assessed valuation for PMB Developer West. See “DEVELOPER AND PRINCIPAL LANDOWNER.”

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation that would be required to meet certain debt service requirements on the Bonds if no growth in the District occurs beyond the 2023 Certified Taxable Assessed Valuation or the Estimate of Value as of September 1, 2023. The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirements on the Bonds (2025–2048, high years).....	\$ 373,756
Tax Rate of \$1.86 on the 2023 Certified Taxable Assessed Valuation (\$21,177,234) produces.....	\$ 374,202
Tax Rate of \$0.54 on the Estimate of Value as of September 1, 2023 (\$73,132,786) produces.....	\$ 375,171
Maximum Debt Service Requirement on the Bonds (2047).....	\$ 385,750
Tax Rate of \$1.92 on the 2023 Certified Taxable Assessed Valuation (\$21,177,234) produces.....	\$ 386,273
Tax Rate of \$0.56 on the Estimate of Value as of September 1, 2023 (\$73,132,786) produces.....	\$ 389,066

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 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 (see “DISTRICT DEBT—Estimated Direct and Overlapping Debt Statement”), 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.

Set forth below is a compilation of all 2023 taxes levied by such jurisdictions per \$100 of assessed valuation. The table below does not include any future debt service tax rate that may be levied as a result of the issuance of the Bonds (see “TAX DATA”). Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2023 Tax Rate</u>
The District	\$ 1.000000
Wise County	0.220000
Wise FM Flood Lateral	0.045000
Wise County Branch Maintenance	0.032500
Northwest ISD	<u>1.090200</u>
Estimated Total Tax Rate	\$ 2.387700

THE SYSTEM

General

According to the Engineer, the Utility System and the Road System have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, Rhome, and Wise County.

Operation of the District's Utility System 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.

Joint Facilities Agreement

The District is one of four (4) water control and improvements districts collectively comprising approximately 3,332 acres herein referred to as the "Service Area." The District, RVR WCID 1, RVR WCID 3, and Rolling V Ranch Water Control and Improvement District No. 4 ("RVR WCID 4"), collectively referred to herein as the "Participants," make up the Service Area. RVR WCID 3 has agreed to serve as the "Master District" to provide to the Participants the water, wastewater, roadway and storm drainage facilities necessary to serve the Service Area (the "Master District Facilities").

The District and RVR WCID 1 entered into a "Joint Facilities Agreement" effective November 12, 2020. The Agreement requires each district to pay its pro rata share of construction and maintenance costs for the Master District Facilities to serve the respective areas of each district. The determination for the costs to be shared and the pro rata allocation of those costs will be made by the Districts' Engineer and will be based upon (i) in the case of water facilities, the estimated total water connections within the respective districts after completed development, (ii) in the case of wastewater facilities, the estimated total wastewater connections within the respective districts after completed development, (iii) in the case of roadway facilities, the total number of lots within the respective districts after completed development and (iv) in the case of storm drainage facilities, the volumetric flow of storm drainage required to serve each district, calculated in cubic feet per second. The Board for each district shall meet at least once annually to review the prior year's budget and to establish the following year's budget for each of their respective districts. The term of the Joint Facilities Agreement shall remain in effect for 40 years from the execution date and is renewable for 20 year periods thereafter.

It is expected that in the future the District will levy a contract tax to pay its pro rata share of Master District Facilities. A contract between RVR WCID 3 (in its capacity as the Master District) and each of the Participants is currently being drafted (the "Master District Contract"). An election was held on November 7, 2023 to confirm the creation of RVR WCID 3 and authorize the Master District Contract with each of the Participants, thereby authorizing the Master District's issuance of unlimited contract tax revenue bonds sufficient to complete the acquisition and construction of the Master District Facilities necessary to serve the Service Area.

Description of the Utility System

Agreement Regarding Wholesale Treated Water: The District and RVR WCID 1 entered into a "Wholesale Water Supply Agreement" with Rhome effective December 10, 2021, setting forth the terms whereby Rhome will provide wholesale water to serve development within each of the District and RVR WCID 1. Rhome agrees to provide, and the District and RVR WCID 1 agrees to purchase, 409 gallons per minute of water capacity in aggregate, sufficient to serve a maximum of 683 Living Unit Equivalents ("LUEs") of water capacity with the District and RCR WCID 1, requiring service no later than August 1, 2022. After the effective date, the District and RVR WCID 1 may elect to add LUEs to the contract quantity if Rhome acquires or contracts for additional water capacity from Walnut Creek Special Utility District ("WCSUD") in an amount not to exceed 50 percent (50%) of the additional water capacity available to Rhome from WCSUD. Any additional water will be added to the 683 LUEs of contract quantity and increase the contract quantity by the amount of such additional water. On the effective date of this agreement, Rhome required the District and RVR WCID 1 to pay an aggregate capacity reservation fee of \$1,000,000 in consideration for and to secure the 683 LUEs and any additional water provided to Rhome from WCSUD. As such, the District and RVR WCID 1 entered into a "Cost Sharing Agreement" on December 7, 2021, setting forth the proportions each of the District and RVR WCID 1 were required to make in capacity payments. The District made a payment to Rhome of \$429,000 and RVR WCID 1 made a payment to Rhome of \$571,000 for their respective pro rata shares of capacity.

On May 26, 2023, Rhome acquired an additional capacity of 500 GPM, of which 250 GPM was allocated to the Service Area.

On August 15, 2022 and August 2, 2023, the District and RVR WCID 1, respectively, approved an assignment of the Wholesale Water Supply Agreement to RVR WCID 3, which is going to eventually serve as the Master District provider of Master District Facilities for the Service Area. Such contract is currently being drafted.

Wastewater Treatment and Conveyance System: Pursuant to the Rhome Development Agreement, the Master District will be the retail provider of wastewater treatment services to the Service Area, including the District. On May 25, 2021, the Master District entered into a lease agreement with AUC Group (the "WWTP Lease") for a 150,000 gallon per day wastewater treatment plant (the "WWTP"). The initial term of the WWTP Lease is 60 months with monthly payments in the amount of \$22,750 due for the term of the WWTP Lease, commencing in March 2023. The Master District has the option to purchase the

wastewater treatment plant commencing on the 60th month per the WWTP Lease; however, the Master District does not currently plan to purchase the WWTP.

The Master District Contract, which is currently being drafted, will set forth the terms of how wastewater treatment services provided by the Master District will be billed to the District and RVR WCID 1. Currently, the costs for wastewater treatment services are being allocated to the Participants based on each Participant’s respective connection counts.

Storm Water Drainage Facilities: Storm water in the district is generally carried through curb and gutter streets to underground storm sewer collections systems and detention ponds that are released to West Derrett Creek. All drainage elements were designed according to the requirements of, and approved by prior to construction, Rhome. Approximately 19.91 acres in the District lie in the 100-year floodplain. No development will occur within the 100-year floodplain.

Description of the Road System

Construction of the roads within the boundaries of the District will be financed with funds advanced by the Developer. The proceeds of the sale of the Bonds and future bonds issued for Road System purposes will be used to reimburse the Developer for road improvements for the existing and future phases of development within the District. Pursuant to the Development Agreement, roadways within the District are being constructed in accordance with the subdivision regulations as provided by Rhome. The District owns and maintains the roads within the District.

Historical Operations of the Utility System

The following is a summary of the District’s general operating fund for the previous two (2) fiscal years. The figures for the fiscal years ended April 30, 2022, through April 30, 2023, were obtained from the District’s annual financial reports, reference to which is hereby made. See “APPENDIX A.” The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

	Fiscal Year Ended April 30,	
	2023	2022
Revenues		
Property Taxes	\$ 23,235	\$ -
Water Service	64,947	-
Wastewater Service	9,551	-
Permit Revenue	103,700	-
Penalty & Interest	2,315	4
Investment & Misc.	1,888	-
Total Revenues	\$ 205,636	\$ 4
Expenditures		
Professional Fees	\$ 19,269	\$ 55,114
Contracted Services	24,912	8,054
Purchased Water Service	11,838	
Purchased Wastewater Servi	86,570	
Utilities	6,132	
Repairs and Maintenance	74,064	
Other	10,591	10,186
Total Expenditures	\$ 233,376	\$ 73,354
Net Revenues (Deficit)	\$ (27,740)	\$ (73,350)
Developer Advances	\$ 19,999	\$ 70,262
Beginning Fund Balance	\$ 436	\$ 3,524
Ending Fund Balance	\$ (7,305)	\$ 436

DISTRICT DEBT

2023 Certified Taxable Assessed Valuation	\$ 21,177,234	(a)
Estimate of Value as of September 1, 2023	\$ 73,132,786	(b)
Direct Debt:		
The Bonds.....	<u>\$ 5,100,000</u>	
Total.....	<u>\$ 5,100,000</u>	
Estimated Overlapping Debt.....	<u>\$ 1,090,043</u>	(c)
Total Direct and Estimated Overlapping Debt	<u>\$ 6,190,043</u>	(c)
Direct Debt Ratios:		
As a percentage of 2023 Certified Taxable Assessed Valuation	24.08 %	
As a percentage of Estimate of Value as of September 1, 2023	6.97 %	
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2023 Certified Taxable Assessed Valuation	29.23 %	
As a percentage of Estimate of Value as of September 1, 2023	8.46 %	
General Operating Fund (as of October 3, 2023)	\$ 31,845	(d)
Road System Debt Service Fund (as of Delivery of the Bonds).....	\$ 405,788	(e)
2023 Tax Rate		
Road Debt Service	\$0.000	
Maintenance & Operations.....	<u>\$1.000</u>	
Total.....	<u>\$1.000</u>	
Average Annual Debt Service Requirements on the Bonds (2025–2048, high years).....	\$ 373,756	
Maximum Annual Debt Service Requirement on the Bonds (2047).....	\$ 385,750	
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual		
Debt Service Requirements on the Bonds (2025–2048, high years) at 95% Tax Collections		
Based Upon 2023 Certified Taxable Assessed Valuation (\$21,177,234).....	\$1.86	
Based Upon the Estimate of Value as of September 1, 2023 (\$73,132,786).....	\$0.54	
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual		
Debt Service Requirement on the Bonds (2047) at 95% Tax Collections		
Based Upon 2023 Certified Taxable Assessed Valuation (\$21,177,234).....	\$1.92	
Based Upon the Estimate of Value as of September 1, 2023 (\$73,132,786).....	\$0.56	

-
- (a) Represents the taxable assessed valuation as of January 1, 2023, of all taxable property in the District, as provided by the Appraisal District. See "TAX PROCEDURES" and "TAX DATA."
 - (b) Provided by the Appraisal District for information purposes only. Reflects the addition of value of new construction within the District from January 1, 2023 to September 1, 2023. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAX PROCEDURES."
 - (c) See "DISTRICT DEBT—Estimated Direct and Overlapping Debt Statement."
 - (d) See "RISK FACTORS—Operating Funds."
 - (e) Represents eighteen (18) months of capitalized interest on the Bonds. Such amount will be deposited into the Road System Debt Service Fund as of Delivery of the Bonds. Neither Texas Law nor the Bond Order requires that the District maintain any particular sum in the District's Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System.

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Debt Service Requirements

The following sets forth the principal and interest requirements on the Bonds:

Year Ending 12/31	The Bonds		Total New Debt Service
	Principal	Interest	
2024	\$ -	\$ 194,628	\$ 194,628
2025	105,000	270,525	375,525
2026	115,000	262,650	377,650
2027	120,000	254,025	374,025
2028	125,000	245,025	370,025
2029	135,000	235,650	370,650
2030	140,000	225,525	365,525
2031	150,000	218,000	368,000
2032	155,000	210,500	365,500
2033	165,000	202,750	367,750
2034	175,000	194,500	369,500
2035	185,000	185,750	370,750
2036	195,000	176,500	371,500
2037	205,000	166,750	371,750
2038	215,000	156,500	371,500
2039	225,000	145,750	370,750
2040	240,000	134,500	374,500
2041	255,000	122,500	377,500
2042	265,000	109,750	374,750
2043	280,000	96,500	376,500
2044	295,000	82,500	377,500
2045	310,000	67,750	377,750
2046	330,000	52,250	382,250
2047	350,000	35,750	385,750
2048	365,000	18,250	383,250
	<u>\$ 5,100,000</u>	<u>\$ 4,064,778</u>	<u>\$ 9,164,778</u>

Average Annual Requirements on the Bonds (2025–2048, high years) \$ 373,756
 Maximum Annual Requirement on the Bonds (2047) \$ 385,750

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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 several sources, including information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. 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 of debt service, and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

<u>Taxing Jurisdiction</u>	<u>Debt as of October 31, 2023</u>	<u>Estimated Overlapping Debt</u>	
		<u>Percent</u>	<u>Amount</u>
Wise County	\$ 6,570,000	0.15%	\$ 10,020
Northwest Independent School District	1,807,155,334	0.06%	<u>1,080,023</u>
Total Estimated Overlapping Debt			\$ <u>1,090,043</u>
The District			<u>5,100,000</u> (a)
Total Direct & Estimated Overlapping Debt			\$ <u>6,190,043</u> (a)(b)

- (a) The Bonds.
- (b) Includes the Bonds.

Debt Ratios

	<u>% of 2023 Assessed Valuation</u>	<u>% of Estimate of Value as of 9/1/2023</u>
Direct Debt (a)	24.08%	6.97%
Direct and Estimated Overlapping Debt (b)	29.23%	8.46%

- (a) The Bonds.
- (b) Includes the Bonds.

TAX PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “RISK FACTORS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under “THE BONDS—Source of Payment.” Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by its voters. See “TAX DATA—Tax Rate Limitation.”

Property Tax Code and County-Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Wise County Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units within Wise County, including the District. Such appraisal values are subject to review and change by the Wise County Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; 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 of Directors of the District. 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 twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or 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 of full value of the veteran's residential homestead. 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. Surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

In addition, a partially disabled veteran or the surviving spouse of a partially disabled veteran is 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 at no cost by a charitable organization at some or no cost to the veteran. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total 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 total 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 transferable 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.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (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 May 1. The District has never adopted a general homestead exemption.

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" may apply, for 2012 and subsequent tax years, to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has not taken action related to taxation of goods-in-transit, and accordingly, the exemption is not available within the District. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

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

Tax Exemption for Property Damaged by Disaster

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% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the 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 District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate 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 which are higher than renditions and appraisals of property not previously on an appraisal roll.

Rollback of Operation and Maintenance Tax Rate

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

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

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine

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

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

The District: A determination as to the District's status as a Special Taxing Unit, Developed District or Developing District is made on an annual basis. For the 2023 tax year, the District was determined to be a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the 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 such taxes for a period of three (3) years for agricultural use, timberland or open space land prior to the loss of the designation. As of January 1, 2023, approximately 181.43 acres within the District were designated for agricultural use, timberland or open space land.

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. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) to defray collection costs if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. Under certain circumstances, property owners located within a natural disaster area affected by a disaster may pay property taxes in four equal installments following the disaster. Further, a person who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran is entitled by law to pay current taxes on his residential homestead in installments or to defer tax without penalty during the time he owns and occupies the property as his residential homestead.

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 each taxing unit, including the District, and each taxing unit has the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. See "TAX DATA—Estimated Overlapping Taxes." 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 two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records. See "RISK FACTORS—General" and "—Levy and Collection of Taxes."

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District 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. The District will also furnish the approving legal opinion of Winstead PC, Dallas, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Bondholders may be limited by laws relating to governmental immunity, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount upon all taxable property within the District, and that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law subject to the matters discussed below under "TAX MATTERS."

In addition to serving as Bond Counsel, Winstead PC, also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Disclosure Counsel.

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.

Legal Review

In its capacity as Bond Counsel, Winstead PC, has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS" (except for the subsections "Book-Entry-Only System," and "—Use and Distribution of Bonds Proceeds"), "TAX PROCEDURES," "THE DISTRICT—General," and "—Management of the District—*Bond Counsel and General Counsel*," "THE SYSTEM—Joint Facilities Agreement," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "—Compliance with Prior Undertakings") solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm 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 such firm'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 of the other information contained herein.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by the authorized members of the Board, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

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

TAX MATTERS

Opinion

Winstead PC, Dallas, Texas, Bond Counsel will render its opinion that, under existing law, and assuming compliance with certain covenants and the accuracy of certain representations, discussed below, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of preference for purposes of the alternative minimum tax; however, such interest is taken into account in determining the “annual adjusted financial statement income” (as defined in section 56A of the Code) of “applicable corporations” (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) establishes certain requirements that must be met at and subsequent to the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from federal gross income. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, yield and other restrictions on the investment of gross proceeds and other amounts, and the arbitrage rebate requirement that certain earnings on gross proceeds be rebated to the federal government. Failure to comply with these continuing requirements may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of their issuance. The District has covenanted to comply with certain procedures, and has made certain representations and certifications designed to assure compliance with these Code requirements. In rendering its opinion, Bond Counsel will rely on these covenants, on representations and certifications of the District relating to matters solely within its knowledge (which Bond Counsel has not independently verified), and will assume continuing compliance by the District.

The statutes, regulations, published rulings, and court decisions on which Bond Counsel has based its opinion are subject to change by Congress, as well as to subsequent judicial and administrative interpretation by courts and the Internal Revenue Service (the “Service”). No assurance can be given that such law or its interpretation will not change in a manner that would adversely affect the tax treatment of receipt or accrual of interest on, or the acquisition, ownership, market value, or disposition of, the Bonds. No ruling concerning the tax treatment of the Bonds has been sought from the Service, and the opinion of Bond Counsel is not binding on the Service. The Service has an ongoing audit program of tax-exempt obligations to determine whether, in the Service’s view, interest on such tax-exempt obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit were to be commenced, under current procedures, the Service would treat the District as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. In this regard, in responding to or defending an audit with respect to the Bonds, the District might have different or conflicting interests from those of the owners of the Bonds.

An “applicable corporation” (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its “adjusted financial statement income” (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted financial statement income,” ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the Initial Purchaser made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Bond Order subsequent to the issuance of the Bonds. The Orders contain covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds, the manner in which the proceeds of the Bonds are to be invested, the reporting of certain information to the United States Treasury, and rebating any arbitrage profits to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds.

The opinions set forth above are based on existing law and Bond Counsel’s knowledge of relevant facts on the date of issuance of the Bonds. Such opinions are an expression of professional judgment and are not a guarantee of result. Except as stated above, Bond Counsel expresses no opinion regarding any other federal, state, or local tax consequences under current law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of, the Bonds. Further, Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the issuance date of the Bonds. In addition, Bond Counsel has not undertaken to advise in the future whether any events occurring after the issuance date of the Bonds may affect the tax-exempt status of interest on the Bonds.

Original Issue Discount

Certain of the Bonds (the “Discount Bonds”) will be offered and sold to the public at an “original issue discount” (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of such Bonds. In general, the issue price of Discount Bonds is the first price at which a substantial amount of Discount Bonds of the same maturity are sold to the public (other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers).

For federal income tax purposes, OID accrues to the owner of a Discount Bond over such Discount Bond’s period to maturity based on the constant interest rate method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). Bond Counsel is of the opinion that the portion of OID that accrues during the ownership period of a Discount Bond (i) is interest excludable from the owner’s gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as is other interest on the Bonds, and (ii) is added to the owner’s tax basis for purposes of determining gain or loss on the maturity, redemption, sale, or other disposition of that Discount Bond. OID may be treated as continuing to accrue even if payment of the Discount Bonds becomes doubtful in the event that the District encounters financial difficulties, and it is treated as interest earned by cash-basis owners, even though no cash corresponding to the accrual is received in the year of accrual. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond.

The federal income tax consequences of the acquisition, ownership, redemption, sale, or other disposition of Discount Bonds not purchased in the initial offering at the initial offering price may be determined according to rules different from those described above. Owners of such Discount Bonds should consult their tax advisors regarding the federal, state, and local income tax treatment and consequences of acquisition, ownership, redemption, sale, or other disposition of such Discount Bonds.

Original Issue Premium

Certain maturities of the Bonds (the “Premium Bonds”) will be offered and sold to the public at prices greater than their stated redemption prices (the principal amount) payable at maturity (“Bond Premium”). In general, under section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Collateral Tax Consequences Summary

The following discussion is a brief discussion of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification, retroactively. Prospective investors should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by section 884 of the Code.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. PROSPECTIVE INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of tax exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation

is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the owner at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio of the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local, and Foreign Taxes

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

Changes in Law

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Qualified Tax-Exempt Obligations for Financial Institutions

The District has designated the Bonds as “qualified tax-exempt obligations” and represents that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2023 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2023. Pursuant to Section 265 of the Code, a qualifying financial institution may be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated bank-qualified investments. Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

The discussion contained herein may not be exhaustive. Investors, including those who are subject to special provisions of the code, should consult their own tax advisors as to the tax treatment which may be anticipated to result from the purchase, ownership, and disposition of tax-exempt obligations before determining whether to purchase the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (“SEC”) regarding the District’s continuing disclosure obligations because the District has not issued more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Order, the District has made the following agreement for the benefit of the holders and registered owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District shall provide audited financial statements of the District to the MSRB within six (6) months after the end of each fiscal year of the District. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in “APPENDIX A” hereto or such other accounting principles as the District may be required to employ, from time to time, by state law or regulation, and (ii) audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

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

In addition, the District has agreed to provide information with respect to the Developing Entities, any person or entity to whom the Developing Entities 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 information provided will be of the general type included

in this Official Statement under the heading “DEVELOPER AND PRINCIPAL LANDOWNER.” The District will be obligated to provide information concerning the Developing Entities 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 the District facilities or debt in an amount which exceeds 20% of the amount of the District’s bonds then outstanding. The District will update and provide this information within six months after the end of each fiscal year ending in or after 2024.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other 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; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, 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, any of which reflect financial difficulties.

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

The term “financial obligation” shall mean, for purposes of the events in clauses (15) and (16), a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a (a) or (b); provided that financial obligation shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12. The term “material” when used in this subsection shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order 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, financial statements, or notices in accordance with its agreement described above.

Availability of Information

The District has agreed to provide the foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may 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 certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional 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. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of such SEC Rule 15c2-12 are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that such amendment would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to such amendment and any amendments or interpretations of SEC Rule 15c2-12.

Compliance with Prior Undertakings

The Bonds are the District's first issuance of unlimited tax bonds; therefore, the District has not previously made any continuing disclosure agreements in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

Preparation

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Developer, the Auditor, information publicly available from the Appraisal District 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.

The District's audited financial statements for the year ended April 30, 2023 were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant, Houston, Texas, and have been included herein as "APPENDIX A". McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant, has consented to the publication of such financial statements in this Official Statement.

Experts

The Engineer: The information contained in this Official Statement relating to engineering and to the Description of the Utility System and the Road System, and, in particular, that engineering information included in the sections entitled "THE BONDS—Use and Distribution of Bond Proceeds," "THE DISTRICT—General" and "—Description," DEVELOPMENT WITHIN THE DISTRICT—Current Status of Development," and "THE SYSTEM" (except for those sections under the subheadings "—Joint Facilities Agreement" and "—Historical Operations of the Utility System") have been provided by the Engineer, which has been included herein in reliance upon the authority or said firms as experts in the field of civil engineering.

Tax Assessor/Collector and Appraisal District: The information contained in this Official Statement relating to assessed valuations of property generally, and in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by the Appraisal District. Such information has been included herein in reliance upon the Appraisal District as an expert in the field of tax collection and property appraisal. .

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity, 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, description 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 the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate

amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (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.

Miscellaneous

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 in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Rolling V Ranch Water Control & Improvement District No. 2 of Wise County, as of the date shown on the first page hereof.

/s/ Taylor Shaw
President, Board of Directors
Rolling V Ranch Water Control & Improvement District No. 2
of Wise County

ATTEST:

/s/ Ramsey Bell
Secretary, Board of Directors
Rolling V Ranch Water Control & Improvement District No. 2
of Wise County

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY**

WISE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

APRIL 30, 2023

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY**

WISE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

APRIL 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rolling V Ranch Water Control and Improvement
District No. 2 of Wise County
Wise County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Rolling V Ranch Water Control and Improvement District No. 2 of Wise County (the "District") as of and for the year ended April 30, 2023, 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 major fund of the District as of April 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Rolling V Ranch Water Control and Improvement
District No. 2 of Wise County

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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 3, 2023

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2023**

Management’s discussion and analysis of Rolling V Ranch Water Control and Improvement District No. 2 of Wise County’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended April 30, 2023. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District’s assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for property taxes, customer service revenues, developer advances, operating costs and general expenditures.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2023**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$143,019 as of April 30, 2023. The following table provides a comparative analysis of government-wide changes in net position:

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2023</u>	<u>2022</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 149,742	\$ 3,082	\$ 146,660
Capital Assets (Net of Accumulated Depreciation)	10,329,505		10,329,505
Total Assets	<u>\$ 10,479,247</u>	<u>\$ 3,082</u>	<u>\$ 10,476,165</u>
Due to Developer	\$ 10,465,219	\$ 84,816	\$ (10,380,403)
Other Liabilities	157,047	2,646	(154,401)
Total Liabilities	<u>\$ 10,622,266</u>	<u>\$ 87,462</u>	<u>\$ (10,534,804)</u>
Net Position:			
Net Investment in Capital Assets	\$ (30,899)	\$	\$ (30,899)
Unrestricted	<u>(112,120)</u>	<u>(84,380)</u>	<u>(27,740)</u>
Total Net Position	<u>\$ (143,019)</u>	<u>\$ (84,380)</u>	<u>\$ (58,639)</u>

The following table provides a summary of the District's operations for the years ended April 30, 2023 and April 30, 2022.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2023</u>	<u>2022</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 23,235	\$	\$ 23,235
Charges for Services	180,513		180,513
Other Revenues	1,888	4	1,884
Total Revenues	<u>\$ 205,636</u>	<u>\$ 4</u>	<u>\$ 205,632</u>
Expenses for Services	264,275	73,354	(190,921)
Change in Net Position	\$ (58,639)	\$ (73,350)	\$ 14,711
Net Position, Beginning	<u>(84,380)</u>	<u>(11,030)</u>	<u>(73,350)</u>
Net Position, Ending	<u>\$ (143,019)</u>	<u>\$ (84,380)</u>	<u>\$ (58,639)</u>

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's General Fund fund balance as of April 30, 2023, was a deficit balance of \$7,305, a decrease of \$7,741 from the previous fiscal year, primarily due to operating costs exceeding tax and service revenues.

CAPITAL ASSETS

Capital assets as of April 30, 2023, total \$10,329,505 (net of accumulated depreciation) and include water, wastewater and drainage systems, as well as roads.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2023	2022	Change Positive (Negative)
Capital Assets, Net of Accumulated			
Depreciation:			
Water System	\$ 1,609,144	\$	\$ 1,609,144
Wastewater System	3,194,064		3,194,064
Drainage System	2,854,618		2,854,618
Roads	2,671,679		2,671,679
Total Net Capital Assets	\$ 10,329,505	\$ -0-	\$ 10,329,505

LONG-TERM DEBT

As of April 30, 2023, the District recorded an amount of due to Developer of \$10,465,219 which consists of payments for operating advances and completed capital projects made by the Developer since creation of the District.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$30,327, higher than budgeted revenues and actual expenditures were \$164,334 higher than budgeted expenditures. Developer advances of \$19,999 were as budgeted. This resulted in a negative budget variance of \$134,007. See the budget to actual comparison for further information.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Rolling V Ranch Water Control and Improvement District No. 2 of Wise County, c/o Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
APRIL 30, 2023**

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 130,520	\$	\$ 130,520
Receivables:			
Service Accounts	19,222		19,222
Capital Assets (Net of Accumulated Depreciation)	149,742	10,329,505	10,329,505
TOTAL ASSETS	\$ 149,742	\$ 10,329,505	\$ 10,479,247
 LIABILITIES			
Accounts Payable	\$ 152,547	\$	\$ 152,547
Due to Developer		10,465,219	10,465,219
Security Deposits	4,500		4,500
TOTAL LIABILITIES	\$ 157,047	\$ 10,465,219	\$ 10,622,266
 FUND BALANCE			
Unassigned	(7,305)	7,305	-0-
 TOTAL LIABILITIES AND FUND BALANCE	\$ 149,742		
 NET POSITION			
Net Investment in Capital Assets		\$ (30,899)	\$ (30,899)
Unrestricted		(112,120)	(112,120)
TOTAL NET POSITION		\$ (143,019)	\$ (143,019)

The accompanying notes to the financial statements are an integral part of this report.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
APRIL 30, 2023**

Total Fund Balance - Governmental Fund	\$	(7,305)
--	----	---------

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		10,329,505
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Due to Developer		<u>(10,465,219)</u>
Total Net Position - Governmental Activities	\$	<u>(143,019)</u>

The accompanying notes to the financial statements are an integral part of this report.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED APRIL 30, 2023**

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 23,235	\$	\$ 23,235
Water Service	64,947		64,947
Wastewater Service	9,551		9,551
Permit Revenue	103,700		103,700
Penalty and Interest	2,315		2,315
Investment and Miscellaneous Revenues	1,888		1,888
TOTAL REVENUES	\$ 205,636	\$ - 0 -	\$ 205,636
 EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 19,269	\$	\$ 19,269
Contracted Services	24,912		24,912
Purchased Water Service	11,838		11,838
Purchased Wastewater Service	86,570		86,570
Utilities	6,132		6,132
Repairs and Maintenance	74,064		74,064
Depreciation		30,899	30,899
Other	10,591		10,591
TOTAL EXPENDITURES/EXPENSES	\$ 233,376	\$ 30,899	\$ 264,275
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (27,740)	\$ (30,899)	\$ (58,639)
OTHER FINANCING SOURCES (USES)			
Developer Advances	\$ 19,999	\$ (19,999)	\$ -0-
NET CHANGE IN FUND BALANCE	\$ (7,741)	\$ 7,741	\$
CHANGE IN NET POSITION		(58,639)	(58,639)
FUND BALANCE/NET POSITION - MAY 1, 2022	436	(84,816)	(84,380)
FUND BALANCE(DEFICIT)/NET POSITION - APRIL 30, 2023	\$ (7,305)	\$ (135,714)	\$ (143,019)

The accompanying notes to the financial
statements are an integral part of this report.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2023**

Net Change in Fund Balance - Governmental Fund	\$	(7,741)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and the depreciation expense is recorded in the Statement of Activities.		(30,899)
--	--	----------

Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.		(19,999)
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Change in Net Position - Governmental Activities	\$	<u>(58,639)</u>
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The accompanying notes to the financial statements are an integral part of this report.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 1. CREATION OF DISTRICT

Rolling V Ranch Water Control and Improvement District No. 1 of Wise County (“District No.1”) was created pursuant to House Bill No. 3991, 80th Regular Session of the Texas Legislature, Regular Session, codified as Chapter 9021, Texas Special District Local Laws Code, effective September 1, 2007, as a water control and improvement district operating pursuant to Article III, Section 52 and Article XVI, Section 59, of the Texas Constitution and Chapters 49 and 51 of the Texas Water Code, as amended. On February 12, 2020, the Board of Directors of District No. 1 elected to divide the district into three districts and created Rolling V Ranch Water Control and Improvement District No. 2 of Wise County (the “District”) and Rolling V Ranch Water Control and Improvement District No. 3 of Wise County (“District No. 3”). The District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, and construct roads for the residents of the District. The Board of Directors held its first meeting on August 10, 2020.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local 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 statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for property taxes, customer service revenues, developer advances, operating costs and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Capital Assets

Capital assets include utility and roads infrastructure which are reported in the government-wide Statement of Net Position at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized if they have an original cost greater than \$5,000 and a useful life over 2 years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over 40 to 45 years.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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 imposed externally. The District does not have any restricted fund balances.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. 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.

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

Accounting Estimates

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

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$130,520 and the bank balance was \$130,798. The District was not exposed to custodial credit risk.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

As of April 30, 2023, the District did not have any investments.

NOTE 4. MAINTENANCE TAX

On November 3, 2020, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended April 30, 2023, the District levied an ad valorem maintenance tax rate of \$1.00 per \$100 of assessed valuation, which resulted in a tax levy of \$23,235 on the adjusted taxable valuation of \$2,337,070 for the 2022 tax year.

All property values and exempt status, if any, are determined by the 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 levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2023, is as follows:

	May 1, 2022	Increases	Decreases	April 30, 2023
Capital Assets Subject to Depreciation				
Water System	\$	\$ 1,612,679	\$	\$ 1,612,679
Wastewater System		3,201,080		3,201,080
Drainage System		2,867,626		2,867,626
Roads		2,679,019		2,679,019
Total Capital Assets Subject to Depreciation	\$ -0-	\$ 10,360,404	\$ -0-	\$ 10,360,404
Accumulated Depreciation				
Water System	\$	\$ 3,535	\$	\$ 3,535
Wastewater System		7,016		7,016
Drainage System		13,008		13,008
Roads		7,340		7,340
Total Accumulated Depreciation	\$ -0-	\$ 30,899	\$ -0-	\$ 30,899
Total Capital Assets, Net of Accumulated Depreciation	\$ -0-	\$ 10,329,505	\$ -0-	\$ 10,329,505

NOTE 6. UNREIMBURSED COSTS

The District has entered into financing agreements with a Developer which calls for the Developer to fund operating advances as well as costs associated with the construction of roads, water, wastewater, and drainage infrastructure. The District has an obligation to reimburse the Developer for these costs from future bond issues or other lawfully available funds. The following table summarizes the current activity related to unreimbursed costs.

Due to Developers, May 1, 2022	\$ 84,816
Add: Current Year Additions	<u>10,380,403</u>
Due to Developers, April 30, 2023	<u>\$ 10,465,219</u>

NOTE 7. 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 natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 8. BOND AUTHORIZATION

At an election held November 3, 2020, the voters of the District authorized the issuance of bonds up to \$100,000,000 for the purposes of acquiring or construction of utility facilities, \$100,000,000 for road facilities, \$125,000,000 for the purpose of refunding utility facilities bonds and \$125,000,000 for the purpose of refunding road bonds. All bonds remain authorized but unissued.

NOTE 9. JOINT FACILITIES AGREEMENT

The District and District No. 1 entered into a Joint Facilities Agreement effective November 12, 2020. The Agreement requires each district to pay its pro rata share of construction and maintenance costs for water, wastewater, roads and storm drainage facilities to serve the areas of each district. The determination for the costs to be shared and the pro rata allocation of those costs will be made by the districts' engineer, LJA Engineering, and will be based upon (i) in the case of water facilities, the estimated total water connections within the respective districts after completed development, (ii) in the case of wastewater facilities, the estimated total wastewater connections within the respective districts after completed development, (iii) in the case of roadway facilities, the total number of lots within the respective districts after completed development and (iv) in the case of storm drainage facilities, the volumetric flow of storm drainage required to serve each district, calculated in cubic feet per second. The Boards of the districts shall meet at least once annually to review the prior year's budget and to establish the following year's budget for each of their respective districts.

The term of the Agreement shall remain in effect for 40 years from the execution date and is renewable for 20 year periods thereafter.

NOTE 10. WHOLESALE WATER SUPPLY AGREEMENT AND COST SHARING AGREEMENT

The District and District No. 1 entered into a Wholesale Water Supply Agreement with the City of Rhome, Texas (the "City") effective December 10, 2021, setting forth the terms whereby the City will provide wholesale water to serve development within each district. The City agrees to provide and the districts agree to purchase 409 gallons per minute of water capacity, sufficient to serve a maximum of 683 Living Unit Equivalents ("LUEs") of water capacity with the districts requiring service no later than August 1, 2022. After the effective date, the districts may elect to add LUEs to the contract quantity if the City acquires or contracts for additional water capacity from Walnut Creek Special Utility District ("Walnut Creek SUD") in an amount not to exceed 50 percent of the additional water capacity available to the City from Walnut Creek SUD. Any additional water will be added to the 683 LUEs of contract quantity and increase the contract quantity by the amount of such additional water.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 10. WHOLESALE WATER SUPPLY AGREEMENT AND COST SHARING AGREEMENT (Continued)

On the effective date of this agreement, the City required the districts to pay a capacity reservation fee of \$1,000,000 in consideration for and to secure the 683 LUEs and any additional water provided to the City from Walnut Creek SUD. As such the District and District No. 1 entered into a Cost Sharing Agreement on December 7, 2021, setting forth the proportions each district was required to make in capacity payments. The District made a payment to the City of \$429,000 and District No. 1 made a payment to the City of \$571,000 for their respective pro rata shares of capacity. During the current fiscal year, the District recorded \$11,838 of purchased water costs per this Agreement.

On August 2, 2022, the District and on August 15, 2022, District No. 1 approved an assignment of the Water Supply Agreement to District No. 3 which is going to eventually serve as the Master District of the whole development. A Master District Agreement is currently being drafted. This Agreement will also set forth the terms of how wastewater treatment services provided by District No. 3 are to be billed to the District and District No. 1. During the current fiscal year, wastewater service costs incurred by District No. 3 were allocated and billed to each district based on their respective connection counts. The District recorded \$86,570 of purchased wastewater costs.

NOTE 11. INTERLOCAL COOPERATION AGREEMENT FOR LAW ENFORCEMENT, FIRE PROTECTION AND EMERGENCY MEDICAL SERVICES

Effective July 1, 2022, District No. 1 entered into Interlocal Cooperation Agreement for Law Enforcement and Fire Protection and Emergency Medical Services with the City. The Agreement covers the entire development and has been approved by the District. In exchange for providing one licensed and certified peace officer, the District has agreed to reimburse the City for the one-time capital cost for the purchase of one patrol vehicle not to exceed \$85,000 and pay for the reasonable and necessary costs of police services in an amount not to exceed an annual fee of \$77,000, plus \$15,000 for indirect costs and \$3,557 for workers compensation insurance costs.

In exchange for providing fire protection and emergency medical services, District No. 1 has agreed to pay the reasonable and necessary costs for such services in an amount not to exceed an annual fee of \$80,000, plus \$1,089 for workers compensation insurance costs. Additionally, District No. 1 agreed to provide a one-time capital contribution of \$100,000 to the City within 30 days of the execution of this Agreement.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

**NOTE 11. INTERLOCAL COOPERATION AGREEMENT FOR LAW
ENFORCEMENT, FIRE PROTECTION AND EMERGENCY MEDICAL
SERVICES (Continued)**

The initial term of the Agreement began on July 1, 2022 and will continue in force through September 30, 2023, unless otherwise terminated in accordance with the terms of the Agreement. The Agreement will automatically renew annually unless District No. 1 or the City notifies the other party in writing not less than 90 days prior to the expiration of the applicable term of its desire to terminate.

NOTE 12. DECIFIT FUND BALANCE

As of April 30, 2023, the General Fund had a deficit fund balance of \$7,305. This deficit is expected to be eliminated in the next fiscal year with increased property tax and service revenues.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

APRIL 30, 2023

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2023**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$	\$ 23,235	\$ 23,235
Water Service	30,800	64,947	34,147
Wastewater Service		9,551	9,551
Permit Revenue	144,500	103,700	(40,800)
Penalty and Interest		2,315	2,315
Investment and Miscellaneous Revenues	<u>9</u>	<u>1,888</u>	<u>\$ 1,879</u>
TOTAL REVENUES	<u>\$ 175,309</u>	<u>\$ 205,636</u>	<u>\$ 30,327</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 8,407	\$ 19,269	\$ (10,862)
Contracted Services	15,628	24,912	(9,284)
Purchased Water Service	10,215	11,838	(1,623)
Purchased Wastewater Service		86,570	(86,570)
Utilities		6,132	(6,132)
Repairs and Maintenance	23,793	74,064	(50,271)
Other	<u>10,999</u>	<u>10,591</u>	<u>408</u>
TOTAL EXPENDITURES	<u>\$ 69,042</u>	<u>\$ 233,376</u>	<u>\$ (164,334)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 106,267</u>	<u>\$ (27,740)</u>	<u>\$ (134,007)</u>
OTHER FINANCING SOURCES(USES)			
Developer Advances	<u>\$ 19,999</u>	<u>\$ 19,999</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ 126,266	\$ (7,741)	\$ (134,007)
FUND BALANCE - MAY 1, 2022	<u>436</u>	<u>436</u>	<u></u>
FUND BALANCE(DEFICIT) - APRIL 30, 2023	<u>\$ 126,702</u>	<u>\$ (7,305)</u>	<u>\$ (134,007)</u>

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**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

APRIL 30, 2023

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2023**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	_____	Wholesale Water	_____	Drainage
<u> X </u>	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
_____	Parks/Recreation	_____	Fire Protection	_____	Security
_____	Solid Waste/Garbage	_____	Flood Control	_____	Roads
<u> X </u>	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):

Based on the rate order dated October 4, 2022.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 85.00*	-0-	N	\$ 9.40 \$ 10.04 \$ 11.12 \$ 12.07	0,001 to 5000 5,001 to 10,000 10,001 to 15,000 Over 15,000
WASTEWATER:	\$ 42.75*	-0-	N	\$ 4.00 \$ 4.76 \$ 5.42 \$ 6.16	0,001 to 5000 5,001 to 10,000 10,001 to 15,000 Over 15,000
SURCHARGE:	0.5% of actual water and sewer bill				
Commission Regulatory Assessments					

District employs winter averaging for wastewater usage?

_____ X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$182.20 Wastewater: \$86.55 Surcharge: \$1.34 Total: \$270.09

*Water charge includes \$30 for law enforcement, fire service and EMS. Wastewater charge includes \$18.75 for garbage.

See accompanying independent auditor's report.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2023**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ ³ / ₄ "	<u>180</u>	<u>180</u>	x 1.0	<u>180</u>
1"	<u>1</u>	<u>1</u>	x 2.5	<u>3</u>
1½"	_____	_____	x 5.0	_____
2"	<u>5</u>	<u>4</u>	x 8.0	<u>32</u>
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	<u><u>186</u></u>	<u><u>185</u></u>		<u><u>215</u></u>
Total Wastewater Connections	<u><u>181</u></u>	<u><u>180</u></u>	x 1.0	<u><u>180</u></u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	584,000	Water Accountability Ratio: 100 % (Gallons billed/Gallons pumped)
Gallons billed to customers:	584,000	

See accompanying independent auditor's report.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2023**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ___ No X

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Wise County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely X Partly _____ Not at all _____

ETJs in which District is Located:

City of Rhome, Texas
City of Newark, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 2023**

PROFESSIONAL FEES:	
Auditing	\$ 8,750
Engineering	<u>10,519</u>
TOTAL PROFESSIONAL FEES	<u>\$ 19,269</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 11,838
Purchased Wastewater Service	<u>86,570</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 98,408</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 15,925
Operations and Billing	7,981
Solid Waste Disposal	<u>1,006</u>
TOTAL CONTRACTED SERVICES	<u>\$ 24,912</u>
UTILITIES	<u>\$ 6,132</u>
REPAIRS AND MAINTENANCE	<u>\$ 74,064</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes and Training	\$ 8,607
Insurance	1,795
Office Supplies and Postage	149
Other	<u>40</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 10,591</u>
TOTAL EXPENDITURES	<u><u>\$ 233,376</u></u>

See accompanying independent auditor's report.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2023**

	Maintenance Taxes	
TAXES RECEIVABLE - MAY 1, 2022	\$ -0-	
Adjustments to Beginning Balance	_____	\$ -0-
Original 2022 Tax Levy	\$ 24,872	
Adjustment to 2022 Tax Levy	(1,637)	23,235
TOTAL TO BE ACCOUNTED FOR		\$ 23,235
TAX COLLECTIONS:		
Prior Years	\$ -0-	
Current Year	23,235	23,235
TAXES RECEIVABLE - APRIL 30, 2023		\$ -0-

See accompanying independent auditor's report.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2023**

	2022
PROPERTY VALUATIONS:	
Land	\$ 2,432,037
Improvements	49,981
Personal Property	6,951
Exemptions	(151,899)
TOTAL PROPERTY	
VALUATIONS	\$ 2,337,070
 TAX RATES PER \$100	
VALUATION:	
Maintenance	\$ 1.00
 ADJUSTED TAX LEVY*	 \$ 23,235
 PERCENTAGE OF TAXES	
COLLECTED TO TAXES	
LEVIED	100.00 %

*Based on the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation approved by voters on November 3, 2020.

See accompanying independent auditor’s report.

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**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – TWO YEARS**

	Amounts	
	2023	2022
REVENUES		
Property Taxes	\$ 23,235	\$
Water Service	64,947	
Wastewater Service	9,551	
Permit Revenue	103,700	
Penalty and Interest	2,315	
Investment and Miscellaneous Revenues	1,888	4
TOTAL REVENUES	<u>\$ 205,636</u>	<u>\$ 4</u>
EXPENDITURES		
Professional Fees	\$ 19,269	\$ 55,114
Contracted Services	24,912	8,054
Purchased Water Service	11,838	
Purchased Wastewater Service	86,570	
Utilities	6,132	
Repairs and Maintenance	74,064	
Other	10,591	10,186
TOTAL EXPENDITURES	<u>\$ 233,376</u>	<u>\$ 73,354</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (27,740)</u>	<u>\$ (73,350)</u>
OTHER FINANCING SOURCES (USES)		
Developer Advances	\$ 19,999	70,262
NET CHANGE IN FUND BALANCE	\$ (7,741)	\$ (3,088)
BEGINNING FUND BALANCE	436	3,524
ENDING FUND BALANCE(DEFICIT)	<u>\$ (7,305)</u>	<u>\$ 436</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>185</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>180</u>	<u>N/A</u>

See accompanying independent auditor's report.

<u>Percentage of Total Revenues</u>	
<u>2023</u>	<u>2022</u>
11.4 %	%
31.6	
4.6	
50.4	
1.1	
<u>0.9</u>	<u>100.0</u>
<u>100.0 %</u>	<u>100.0 %</u>
9.4 %	1,377,850.0 %
12.1	201,350.0
5.8	
42.1	
3.0	
36.0	
<u>5.2</u>	<u>254,650.0</u>
<u>113.6 %</u>	<u>1,833,850.0 %</u>
<u>(13.6) %</u>	<u>(1,833,750.0) %</u>

See accompanying independent auditor's report.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2023**

District Mailing Address - Rolling V Ranch Water Control and Improvement
District No. 2 of Wise County
c/o Winstead PC
2728 N. Harwood Street, Suite 500
Dallas, Texas 75201

District Telephone Number - (214) 745-5400

Board Members	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended April 30, 2023</u>	<u>Expense Reimbursements for the year ended April 30, 2023</u>	<u>Title</u>
Taylor Shaw	03/23 – 05/26 (Appointed)	\$ 450	\$ -0-	President
Will Frazier	05/2022 - 05/2026 (Elected)	\$ 1,650	\$ -0-	Vice President
Ramsey Bell	04/2022 - 05/2024 (Appointed)	\$ 1,500	\$ -0-	Secretary
Sam Dethrow	10/2021 - 05/2024 (Appointed)	\$ 1,800	\$ -0-	Assistant Secretary
Robert Gojuangco	10/2021 - 05/2024 (Appointed)	\$ 1,500	\$ -0-	Assistant Secretary
Adam Portacci	05/2022 - 03/2023 (Resigned)	\$ 1,350	\$ -0-	Former President

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District’s developer or with any of the District’s consultants.

Submission date of most recent District Registration Form: March 7, 2023

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200. Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 2 OF WISE COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2023**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended April 30, 2023</u>	<u>Title</u>
Winstead PC	08/10/20	\$ -0-	General Counsel
McCall Gibson Swedlund Barfoot PLLC	02/07/23	\$ 8,750	Auditor
Dye & Toverly, LLC	08/10/20	\$ 15,925	Bookkeeper
Robert W. Baird & Co. Incorporated	08/10/20	\$ -0-	Financial Advisor
LJA Engineering	08/10/20	\$ 10,519	Engineer
Inframark, LLC	08/02/22	\$ 82,045	Operator
Wise County Tax Assessor-Collector	06/07/22	\$ -0-	Tax Assessor/ Collector
Kathi Dye Kerry Toverly	01/14/21	\$ -0-	Investment Officers

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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