

OFFICIAL STATEMENT DATED OCTOBER 9, 2025

In the opinion of Bond Counsel (herein defined), under current law and subject to conditions described under "TAX MATTERS," interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code (herein defined)) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described under "TAX MATTERS."

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

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (BAM Insured)..... "AA"
See "MUNICIPAL BOND INSURANCE" and "RATING."

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A

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

\$5,000,000

**Unlimited Tax Road Bonds
Series 2025**

Interest Accrues from: Date of Delivery

Due: September 1, as shown on the inside cover

Interest on the \$5,000,000 Comal County Water Improvement District No. 3A Unlimited Tax Road Bonds, Series 2025 (the "Bonds") accrues from the initial date of delivery (on or about November 12, 2025) (the "Date of Delivery") and is payable on March 1, 2026, and on each September 1 and March 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 30-day months. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar (herein defined) to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date. 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 BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are obligations solely of Comal County Water Improvement District No. 3A (the "District") and are not obligations of the State of Texas; Comal County, Texas; the City of New Braunfels, Texas; the Master District (as herein defined); or any entity other than the District.

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

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



The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). Voters in the District have authorized a total of \$152,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the "System") and \$81,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System. Following the issuance of the Bonds, \$152,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; and \$76,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, will remain authorized but unissued. The Bonds, when issued, will constitute 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.

Investment in the Bonds is subject to special investment risks as described herein. See "RISK FACTORS."

The Bonds are offered by the winning bidder for the Bonds (the "Initial Purchaser") subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Attorney General of the State of Texas and the opinion of The Muller Law Group, PLLC, Sugar Land, Texas, ("Bond Counsel"). Delivery of the Bonds is expected on or about November 12, 2025.

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

\$5,000,000 Comal County Water Improvement District No. 3A Unlimited Tax Road Bonds, Series 2025

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 19981N (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 19981N (b)
2027	\$ 110,000	6.500%	2.800%	AA0	2039 (c)	\$ 200,000	4.125%	4.250%	AN2
2028	115,000	6.500%	2.850%	AB8	2040 (c)	210,000	4.250%	4.400%	AP7
2029	120,000	6.500%	2.900%	AC6	2041 (c)	220,000	4.375%	4.500%	AQ5
2030	125,000	6.500%	3.000%	AD4	2042 (c)	235,000	4.375%	4.550%	AR3
2031	135,000	6.500%	3.050%	AE2	2043 (c)	245,000	4.500%	4.600%	AS1
2032 (c)	140,000	6.500%	3.100%	AF9	2044 (c)	260,000	4.500%	4.650%	AT9
2033 (c)	150,000	6.500%	3.150%	AG7	2045 (c)	275,000	4.500%	4.700%	AU6
2034 (c)	155,000	4.000%	3.550%	AH5	2046 (c)	285,000	4.500%	4.720%	AV4
2035 (c)	165,000	4.000%	3.750%	AJ1	2047 (c)	300,000	4.500%	4.740%	AW2
2036 (c)	175,000	4.000%	4.000%	AK8	2048 (c)	320,000	4.625%	4.760%	AX0
2037 (c)	180,000	4.000%	4.050%	AL6	2049 (c)	335,000	4.625%	4.780%	AY8
2038 (c)	190,000	4.000%	4.100%	AM4	2050 (c)	355,000	4.625%	4.800%	AZ5

-
- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the purchasers of the Bonds. 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) The Bonds maturing on September 1, 2032, 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 November 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, audits, engineering, and other related reports set forth herein are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel upon payment of duplication costs, for further information.

The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information herein.

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 herein, until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT – Updating of Official Statement."

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

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

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
USE OF INFORMATION IN OFFICIAL STATEMENT..	1	Overlapping Master District Debt and Contract Tax	
SALE AND DISTRIBUTION OF THE BONDS	3		11
Award of the Bonds	3	Factors Affecting Taxable Values and Tax Payments	
Prices and Marketability	3		12
Securities Laws	3	Increase in Costs of Building Materials and Labor	
MUNICIPAL BOND INSURANCE	3	Shortages	14
BOND INSURANCE POLICY	3	Operating Funds	14
BUILD AMERICA MUTUAL ASSURANCE COMPANY	3	Operational Expenses (Master District)	14
RATING	5	Vacant Developed Lots	14
OFFICIAL STATEMENT SUMMARY	6	Tax Collections and Foreclosure Remedies	14
SELECTED FINANCIAL INFORMATION	10	Limitation to Registered Owners' Remedies	15
INTRODUCTION	11	Bankruptcy Limitation to Registered Owners'	
RISK FACTORS	11	Rights	15
General	11	Environmental Regulations	15
		Potential Impact of Natural Disaster	17

Atlas 14	17	General	36
Special Flood Type Risks	17	Contract Tax	36
Marketability	18	Tax Rate Limitation	36
Continuing Compliance with Certain Covenants ...	18	Debt Service Tax	36
Future Debt	18	Maintenance and Operations Tax	36
Approval of the Bonds.....	19	Tax Exemption	36
Changes in Tax Legislation	19	Additional Penalties.....	36
Bond Insurance Risk Factors.....	19	Historical Collections.....	37
THE BONDS	20	Tax Rate Distribution	37
General.....	20	Analysis of Tax Base	37
Record Date for Interest Payment.....	20	Principal Taxpayers.....	37
Redemption Provisions.....	20	Tax Rate Calculations	38
Registration, Transfer and Exchange	21	Estimated Overlapping Taxes.....	38
Mutilated, Lost, Stolen or Destroyed Bonds	21	TAXING PROCEDURES	38
Replacement of Paying Agent/Registrar	21	Authority to Levy Taxes	38
Source of Payment.....	21	Property Tax Code and County-wide Appraisal	
Payment Record	21	District.....	38
Authority for Issuance	21	Property Subject to Taxation by the District.....	39
Issuance of Additional Debt.....	22	Valuation of Property for Taxation	40
Funds	22	District and Taxpayer Remedies	41
Annexation and Consolidation.....	22	Levy and Collection of Taxes	41
Strategic Partnership Agreement and Development		Rollback of Operation and Maintenance Tax Rate	42
Agreement.....	23	District's Rights in the Event of Tax Delinquencies	
No Arbitrage.....	23		43
Registered Owners' Remedies	23	THE SYSTEM	44
Legal Investment and Eligibility to Secure Public		The Master District Contract	44
Funds in Texas	24	Description of the System	45
Defeasance.....	24	Regulation.....	46
BOOK-ENTRY-ONLY SYSTEM	25	Historical Operations of the System	46
USE AND DISTRIBUTION OF BOND PROCEEDS	27	LEGAL MATTERS	47
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT ...	28	Legal Opinions.....	47
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT ...	29	No Material Adverse Change	47
THE DISTRICT	30	No-Litigation Certificate.....	47
General.....	30	TAX MATTERS	47
Location	30	Opinion of Bond Counsel.....	47
Management of the District	30	Alternative Minimum Tax.....	48
THE DEVELOPERS AND PRINCIPAL LANDOWNERS		Other Tax Matters	48
.....	31	Original Issue Discount	48
The Role of a Developer	31	Bond Premium	49
Description of the Developers and Principal		Qualified Tax-Exempt Obligations	49
Landowners	31	CONTINUING DISCLOSURE	49
Development Financing.....	31	Annual Reports	49
Lot Sales Contracts	32	Material Event Notices	50
DEVELOPMENT WITHIN THE DISTRICT.....	32	Availability of Information from EMMA.....	50
General.....	32	Limitations and Amendments	50
Status of Development within the District.....	32	Compliance with Prior Undertakings	51
Homebuilders within the District	32	OFFICIAL STATEMENT	51
MAYFAIR.....	32	Experts	51
General.....	32	Updating of Official Statement.....	51
DISTRICT DEBT	33	Certification as to Official Statement	51
Estimated Debt Service Requirement Schedule.....	33	CONCLUDING STATEMENT.....	52
DISTRICT FINANCIAL DATA	34		
Assessed Value.....	34	APPENDIX A - FINANCIAL STATEMENTS OF THE	
Unlimited Tax Bonds Authorized but Unissued.....	35	DISTRICT	
Investment Authority and Investment Practices of		APPENDIX B - SPECIMEN MUNICIPAL BOND	
the District.....	35	INSURANCE POLICY	
Estimated Direct and Overlapping Debt Statement			
.....	35		
Debt Ratios	35		
TAX DATA	36		

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover at a price of 97.000000% of par, resulting in a net effective interest rate to the District 4.748840%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

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

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

The District 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 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.

Securities Laws

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

MUNICIPAL BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") 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.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of

income under Section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$503.3 million, \$258.1 million and \$245.2 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as

of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

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

RATING

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

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

[Remainder of Page Intentionally Left Blank]

OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere herein. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

Description.....	The \$5,000,000 Comal County Water Improvement District No. 3A Unlimited Tax Road Bonds, Series 2025 (the “Bonds”) are dated November 1, 2025, and mature on September 1 in the years and amounts set forth on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about November 12, 2025) (“Date of Delivery”) at the rates per annum set forth on the inside cover and is payable on March 1, 2026, and each September 1 and March 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one (1) maturity. See “THE BONDS – General.”
Redemption Provisions	The Bonds maturing on and after September 1, 2032, are subject to redemption, in whole or from time to time in part, at the option of the District beginning on November 1, 2031, 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 Provisions.”
Source of Payment	The Bonds, when issued, will constitute 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 Comal County Water Improvement District No. 3A (the “District”). The Bonds are obligations solely of the District and are not obligations of the State of Texas (“Texas”); Comal County, Texas (the “County”); the City of New Braunfels, Texas (the “City”); the Master District (defined hereinafter); or any entity other than the District. See “THE BONDS – Source of Payment.”
Authority for Issuance.....	The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the “Road System”). Voters in the District have authorized a total of \$152,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the “System”) and \$81,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System. Following the issuance of the Bonds, \$152,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System and \$76,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, will remain authorized but unissued. The Bonds are issued pursuant to Chapter 8489 of the Texas Special District Local Laws Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article III, Section 52 of the Texas Constitution; the resolution adopted by the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds (the “Bond Resolution”); and an election held within the District on May 4, 2024. See “THE BONDS – Authority for Issuance” and “THE BONDS – Issuance of Additional Debt.”

Use and Distribution of Bond

Proceeds	Proceeds from the sale of the Bonds will be used to reimburse the Developers (herein defined) for a portion of the improvements and related costs shown under "USE AND DISTRIBUTION OF BOND PROCEEDS." Additionally, proceeds from the sale of the Bonds will be used to pay: developer interest; eighteen (18) months of capitalized interest; and other certain costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Municipal Bond Insurance	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
Rating.....	S&P Global Ratings (BAM Insured): "AA."
Qualified Tax-Exempt Obligations.....	The District has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
General & Bond Counsel.....	The Muller Law Group, PLLC, Sugar Land, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Dallas, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Engineer	Pape-Dawson Engineers, LLC, New Braunfels, Texas.
Paying Agent/Registrar.....	BOKF, NA, Dallas, Texas.

THE DISTRICT

The Issuer	The District was created pursuant to an Order Dividing District Into Three Districts, adopted by Comal County Water Improvement District No. 3 on February 9, 2024, as authorized by House Bill 3941, 83rd Legislative Session, Regular Session 2013 Chapter 1122 (HB 3941), effective June 14, 2013, as codified in Chapter 8489 of the Texas Special District Local Laws Code (the "Act"). The District operates pursuant to the Act; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and Article III, Section 52 of the Texas Constitution. The District consists of approximately 488 acres. See "THE DISTRICT – General."
Master District System.....	Comal County Water Improvements District No. 3 Master District (the "Master District") serves in its capacity as the provider of regional water, wastewater, storm sewer, drainage, and road facilities (hereinafter collectively referred to as the "Master District Facilities") and services to its approximately 1,883-acre service area (the "Service Area") currently comprised of the District, the Master District and Comal County Water Improvement District No. 3B ("WID 3B"). The Master District owns and operates the Master District Facilities, with the exception of roads conveyed to and accepted by Comal County.

The Master District only provides facilities and services to those municipal utility districts within the Service Area that have approved the Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities; Road Facilities; and Parks and Recreation Facilities (the "Master District Contract") after approval of the Master District Contract by such district's voters at an election called for such purpose. After (i) voter and district approval of the Master District Contract by a district within the Service Area and (ii) receipt of services from the Master District, such district is deemed a "Participant." Currently, only the

District is a Participant in the Service Area being served by the Master District System. See “THE SYSTEM – The Master District Contract.”

Location The District is generally bounded on the west by IH-35 and south by Kohlenberg Rd. Primary access to the District is from the frontage along IH-35. A secondary access point is from Kohlenberg Rd. See “THE DISTRICT – Location.”

Developers and Principal Landowners Southstar at Mayfair, LP, a Delaware limited partnership (“Southstar at Mayfair”), whose general partner is Southstar at Mayfair, GP LLC, a Delaware limited partnership, is the developer of approximately 488.1 acres in the District being developed as Mayfair, on which it has completed development of 385 single-family lots on approximately 90 acres. Southstar at Mayfair currently owns the remaining approximately 378 undeveloped but developable acres including 266.05 acres under development and approximately 5 vacant developed lots within the District. Southstar at Mayfair is a thinly capitalized limited partnership whose assets consist of the land in the District and within the Mayfair development and the receivables due from the District for development costs. Southstar at Mayfair is a single purpose entity formed for the purpose of developing the land it owns in the District and within the Mayfair development. Southstar at Mayfair has entered into a management agreement with Southstar Communities Operations LLC, a Delaware limited liability company (“Southstar”), for the purpose of managing the day-to-day development activities within the District. Southstar and the Southstar at Mayfair are under common ownership and control.

Several parcels within the District are being developed by other developing entities as described below, but Southstar at Mayfair has retained all rights to reimbursement from proceeds of bonds issued by the District.

Approximately 37.315 acres within the District are being developed as Parcel E-9N by Ranch Road Mayfair, LLC, a Texas limited liability company (“Ranch Road Mayfair”). Such acreage is currently under construction and is anticipated to be completed in the first quarter of 2026.

Southstar and Ranch Road Mayfair may be collectively referred to herein as the “Developers.”

Felder CND Mayfair LLC, a Texas limited liability company (“Felder CND”) developed approximately 34.46 acres within the District as Parcel E-6 comprised of 194 completed lots. All horizontal infrastructure to serve Parcel E-6 is now complete and Felder Homes and David Weekley Homes are constructing the homes within Parcel E-6. Felder CND owns the remaining 166 vacant developed lots within Parcel E-6.

See “THE DEVELOPERS AND PRINCIPAL LANDOWNERS – Description of the Developers and Principal Landowners” and “DEVELOPMENT WITHIN THE DISTRICT.”

Development within the District The District is comprised of approximately 488 acres. As of September 26, 2025, approximately 90.34 acres (385 lots) have been developed, including: 104 complete and occupied homes; 8 complete and unoccupied homes; 11 model homes; 63 homes under construction; and 199 vacant developed lots. The remainder of land within the District consists of approximately 202 acres under

development, approximately 177 remaining developable acres, and approximately 19 undevelopable acres. See “DEVELOPMENT WITHIN THE DISTRICT – Status of Development within the District.”

Mayfair The District is one of three municipal utility districts within the approximately 1,883 acres being marketed as the master-planned community of Mayfair (the “Service Area”). To date, approximately 90.34 acres (385 lots) have been developed within the District as Mayfair Parcels E-8 Unit 1, and Parcel E-6. Additionally, approximately 266 acres (364 lots) are currently being developed within the District. Development within WID 3B has not yet commenced.

Homebuilders Active within the District... Homebuilders active within the District include: Perry Homes; Highland Homes; Coventry Homes; Toll Brothers; David Weekley Homes; Scott Felder Homes; and DR Horton Homes. The homes being marketed in the District range in price from approximately \$292,000 to over \$810,000.

RISK FACTORS

THE DISTRICT’S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON, INCLUDING TAXES LEVIED BY THE DISTRICT AND THE PARTICIPANTS.

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT RISKS. PROSPECTIVE PURCHASES SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION HEREIN ENTITLED “RISK FACTORS.”

[Remainder of Page Intentionally Left Blank]

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2025 Assessed Valuation	\$ 67,363,244	(a)
(100% of the taxable value as of January 1, 2025)		
Estimated Assessed Valuation as of August 1, 2025.....	\$ 131,080,199	(b)
(100% of the estimated taxable value as of August 1, 2025)		
Direct Debt:		
The Bonds	\$ 5,000,000	
Total.....	\$ 5,000,000	
Estimated Overlapping Debt.....	\$ 4,297,578	
Total Direct and Estimated Overlapping Debt	\$ 9,297,578	
Direct Debt Ratios:		
Based on the 2025 Assessed Valuation	7.42	%
Based on the Estimated Assessed Valuation as of August 1, 2025.....	3.81	%
Direct and Estimated Overlapping Debt Ratios:		
Based on the 2025 Assessed Valuation	13.80	%
Based on the Estimated Assessed Valuation as of August 1, 2025.....	7.09	%
Road Debt Service Fund Balance (as of the Date of Delivery).....	\$ 393,750	(c)
Operating Fund Balance (as of September 12, 2025)	\$ 340,408	(d)
2024 Tax Rate per \$100 of Assessed Valuation:		
Debt Service (System)	\$ 0.000	
Debt Service (Road).....	\$ 0.000	
Contract Tax Rate	\$ 0.000	(e)
Maintenance & Operations.....	\$ 0.950	
Total.....	\$ 0.950	(f)
Average Annual Debt Service Requirement on the Bonds (2026–2050).....	\$ 343,016	(g)
Maximum Annual Debt Service Requirement on the Bonds (2050)	\$ 371,419	(g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Bonds (2026–2050) at 95% Tax Collections:		
Based on the 2025 Assessed Valuation (\$67,363,244)	\$ 0.54	
Based on the Estimated Assessed Valuation as August 1, 2025 (\$131,080,199)	\$ 0.28	
Road Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Bonds (2050) at 95% Tax Collections:		
Based on the 2025 Assessed Valuation (\$67,363,244)	\$ 0.59	
Based on the Estimated Assessed Valuation as August 1, 2025 (\$131,080,199)	\$ 0.30	

-
- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2025, provided by the Appraisal District (herein defined). Such amount does not include approximately \$16,743,251 in uncertified value. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the assessed valuation of all taxable property located within the District as of August 1, 2025, and includes an estimate of valuations resulting from the construction of taxable improvements from January 1, 2025, through August 1, 2025. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Upon closing of the Bonds, eighteen (18) months of capitalized interest will be deposited into the Road Debt Service Fund (herein defined). Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund (herein defined). The funds in the Road Debt Service Fund are pledged only to pay debt service on the Bonds or any additional bonds the District may hereafter issue for the Road System.
- (d) See "RISK FACTORS – Operating Funds."
- (e) See "TAX DATA - Contract Tax."
- (f) The District has authorized publication of its intent to levy a total tax rate of \$0.95 per \$100 of assessed valuation for the 2025 tax year. See "TAX DATA – Tax Rate Calculations."
- (g) See "DISTRICT DEBT."

OFFICIAL STATEMENT

relating to

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A

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

\$5,000,000

Unlimited Tax Road Bonds

Series 2025

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Comal County Water Improvement District No. 3A (the "District") of the \$5,000,000 Comal County Water Improvement District No. 3A Unlimited Tax Road Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to Chapter 8489 of the Texas Special District Local Laws Code; the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article III, Section 52 of the Texas Constitution; the resolution adopted by the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds (the "Bond Resolution"); and an election held within the District on May 4, 2024.

Unless otherwise indicated, capitalized terms used herein have the same meaning assigned to such terms in the Bond Resolution.

Included herein are descriptions of the Bonds, the Developers (defined herein), and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE ONLY SUMMARIES AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from Bond Counsel (herein defined) at 202 Century Square Boulevard, Sugar Land, Texas 77478, or during the offering period from the Financial Advisor (herein defined) at 4801 Woodway Drive, Suite 118-E, Houston, Texas 77056, upon payment of reasonable copying, mailing and handling charges.

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of Texas; Comal County, Texas (the "County"); the City of New Braunfels, Texas (the "City"); the Master District (hereinafter defined); or any entity other than the District, will be secured by 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. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District's obligations 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 "THE BONDS – Source of Payment" and "RISK FACTORS – Bankruptcy Limitation to Registered Owners' Rights."

Overlapping Master District Debt and Contract Tax

The District is part of a regional system (the "Master District System") in which Comal County Water Improvement District No. 3 Master District (the "Master District") provides, finances, constructs, owns, operates, and/or maintains certain regional water, sewer, drainage, and road facilities ("Master District Facilities") to serve other municipal utility districts (each a "Participant") that (i) are located within the Master District's service area consisting of approximately 1,883 acres being marketed as the master-planned community of Mayfair (the "Service Area"), and (ii) have entered into the Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities; Road Facilities; and Parks and Recreational Facilities (the "Master District Contract") with the Master District. Use of this Master District System encourages regionalization and helps avoid duplication of facilities. Each Participant will finance, construct, own, operate, and maintain its own internal water, sewer, drainage, and road facilities.

There are currently three municipal utility districts within the Service Area, including the District, the Master District, and Comal County Water Improvement District No. 3B ("WID 3B"), however, WID3B is not actively developing and has not entered into the Master District Contract, and, therefore, is not considered a Participant at this time. The District has entered into the Master District Contract and is a Participant.

Among other things, the Master District Contract provides that the Master District will issue bonds from time to time to finance Master District Facilities that serve the Participants ("Master District Bonds"). Such bonds will be issued as contract revenue bonds payable solely from contract revenues collected by the Master District from the Participants for such purpose. The Participants are required to levy and collect a contract tax, without legal limit as to rate or amount, on all taxable property within their respective boundaries sufficient to pay their respective pro-rata shares of the debt service payments on the Master District Bonds, including, if applicable, any charges and expenses of paying agents, registrars, and trustees utilized in connection with the Master District Bonds, the principal, interest, and redemption requirements of the Master District Bonds, and all amounts required to establish and maintain funds established under the Master District Bond documents entered into by the Master District. Each Participant's contract payments will be calculated annually by the Master District; however, the levy of a contract tax or the provisions of other lawfully available funds to make its contract payments is the sole responsibility of the Participant.

A Participant's pro-rata share of the debt service payments on Master District Bonds is calculated as the total assessed value of taxable property located in such district divided by the total assessed value of taxable property located within the boundaries of all Participants within the Service Area, as applicable. At this time, as the only Participant, the District's share of debt service payments on any Master District Bonds issued to finance Master District Facilities serving the Service Area would be 100%. There is no limit in the Master District Contract on the total principal amount of Master District Bonds that may be issued by the Master District. At this time, the Master District has not issued any bonds. The Master District intends to issue Master District Bonds in the 2026 calendar year. The amount of such bonds is yet to be determined.

The District has not yet levied a contract tax rate. A contract tax rate is in addition to the direct total tax rate of the District. The District cannot represent whether any of the development planned or occurring in the Service Area will be successful or whether the appraised valuation of the land located within the Service Area will justify payment of a contract tax by property owners. Increases in a contract tax rate could have an adverse impact upon future development and home sales within the District and in the willingness of owners of property located within the District to pay ad valorem taxes levied by the District, including a contract tax.

A contract tax rate and debt service tax rate that may be required to service debt on any bonds issued by the District or Master District is subject to numerous uncertainties such as the growth of taxable values within the boundaries of each, regulatory approvals, construction costs, and interest rates. There can be no assurances that the composite of the tax rates imposed by all jurisdictions on property in the District will be competitive with the composite of the tax rates imposed on competing projects in the Comal County area. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the single-family housing industry in the City's, metropolitan area. New single-family housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

Location and Access: The District is located in an outlying area of the City's metropolitan area. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, the residential and commercial development within the District may be at a competitive disadvantage to residential and commercial projects located closer to major urban centers or in a more developed state. See "THE DISTRICT – Location" and "DEVELOPMENT WITHIN THE DISTRICT."

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to New Braunfels that

are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District.

The competitive position of the Developers in the sale of the land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated herein under "TAX DATA – Principal Taxpayers," the District's principal taxpayers in 2025 own property located within the District which comprises of approximately 68.49% of the District's 2025 Assessed Valuation. The Developers own property located within the District which comprises a combined total of approximately 37.89% of the District's 2025 Assessed Valuation. In the event that the Developers, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its interest and sinking fund. See "THE DEVELOPERS AND PRINCIPAL LANDOWNERS," "TAX DATA – Principal Taxpayers," and "TAXING PROCEDURES – Levy and Collection of Taxes."

Developers' Obligation to the District: The Developers have informed the District of the current plan to continue to develop land in the District for residential, commercial, and mixed-use purposes. However, the Developers are 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 Developers 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 Developers, 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 Developers' right to sell the land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on the any plans of the Developers. Failure to construct taxable improvements on developed lots and tracts and failure of the Developers to develop the land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developers will be or what effect, if any, such conditions may have on their collective and respective ability to pay taxes. See "TAX DATA – Principal Taxpayers," "THE DEVELOPERS AND PRINCIPAL LANDOWNERS," and "DEVELOPMENT WITHIN THE DISTRICT."

Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2025 Assessed Valuation of all taxable property located within the District is \$67,363,244 and the estimated assessed valuation as of August 1, 2025, of all taxable property located within the District is \$131,080,199.

After issuance of the Bonds, the maximum annual debt service requirement on the Bonds is \$371,419 (2050) and the average annual debt service requirement on the Bonds is \$343,016 (2026-2050). Assuming no decrease to the District's 2025 Assessed Valuation, debt service tax rates of \$0.59 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 on the Bonds, and the average annual debt service requirement on the Bonds, respectively. Assuming no decrease from the District's estimated assessed valuation as of August 1, 2025, debt service tax rates of \$0.30 and \$0.28 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Bonds, and the average annual debt service requirement on the Bonds, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate, or to justify continued payment of taxes by property owners. For the 2024 tax year, the District levied a

maintenance and operations tax of \$0.95 per \$100 of assessed valuation. See “DISTRICT DEBT,” “TAX DATA,” and “TAXING PROCEDURES.”

Increase in Costs of Building Materials and Labor Shortages

As a result of low supply and high demand, shipping constraints, and ongoing trade disputes (including tariffs and retaliatory tariffs), there have been substantial increases in the cost of lumber and other materials, causing many homebuilders and general contractors to experience budget overruns. Further, the federal administration’s unpredictable tariff policy (including the threatened impositions of tariffs) may impact the ability of the Developers or homebuilders in the District to estimate costs. The federal administration’s immigration policies may additionally impact the State’s workforce, particularly in construction. Mass deportations or immigration policies that make it challenging for foreign workers to work in the United States may result in labor shortages that impact the Developers’ ability to construct utility and road facilities homebuilders’ ability to construct homes within the District. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developers or homebuilders.

Operating Funds

To date, the District has relied on developer advances to fund its operations. The District’s only source of operating revenue is maintenance tax revenue. The District does not collect water and wastewater revenues from its residents. The District intends to levy a 2025 maintenance tax of \$0.95 per \$100 of assessed valuation. The District’s general fund balance as of September 12, 2025, was \$340,408. The revenue produced from a \$0.95 maintenance tax in 2025 or a reduced maintenance tax in subsequent years may not be sufficient to offset the operating expenses of the District. Continued maintenance of a positive general fund balance will depend upon (1) cash subsidies from the Developers and (2) continued development and increased amounts of maintenance tax revenues. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate.

Operational Expenses (Master District)

The Master District Contract further requires that each Participant fund its pro-rata share of the Master District’s operation expenses, with each Participant’s pro-rata share being calculated by dividing the number of water connections within such Participant by the number of water connections located within the boundaries of all Participants. Each Participant is obligated to establish and maintain rates, fees, and charges for its services which, together with tax revenues and funds received from any other lawful sources, are sufficient at all times to pay the operation and maintenance expenses of the master District. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the master District Facilities by such Participant in addition to the Master District’s other remedies pursuant to the Master District Contract. As a practical matter, the Participants have no alternative provider of the water and wastewater services rendered by the Master District under the Master District Contract. To date, Master District administrative expenses have been funded through advances made by Southstar at Mayfair. Currently, as the only Participant, the District will be responsible for paying all of the administrative expenses of the Master District, which it will pay in the form of “Monthly Charges” invoiced monthly by the Master District.

Vacant Developed Lots

As of September 26, 2025, approximately 199 developed lots within the District remained available for construction. Failure of the Developers 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.

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. See “TAXING PROCEDURES.”

Limitation to Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners (herein defined) have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interest of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

Bankruptcy Limitation to Registered Owners' Rights

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

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, enters an order granting relief from the stay or 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 determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claims.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the U.S. Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district. A district cannot be placed into bankruptcy involuntarily.

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 San Antonio area. Under the Clean Air Act ("CAA") Amendments of 1990, the four-county San Antonio area ("San Antonio Area")-Bexar, Comal, Guadalupe, and Wilson Counties-has been designated an attainment/unclassifiable area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard").

However, the San Antonio Area is currently designated as a "serious" nonattainment area under the eight-hour ozone standard of 70 ppb promulgated by the EPA in 2015 (the "2015 Ozone Standard"), with an attainment deadline of September 24, 2027. For purposes of the 2015 Ozone Standard, the San Antonio Area consists of Bexar County only.

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

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

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

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

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

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

quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

In addition to the foregoing, special district activities in the Austin Area involving the clearing of acreage and construction within the Edwards Aquifer recharge, transition, and contributing zones are subject to the TCEQ's Edwards Aquifer Protection Program, which requires a site-specific application, construction plan approval, and the implementation of temporary and permanent structural and non-structural Best Management Practices and the protection of sensitive features.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. 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.

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

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

Potential 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, tornados, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates. See "TAXING PROCEDURES – Reappraisal of Property after Disaster."

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.

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Special Flood Type Risks

The District may be subject to the following flood risks:

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

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

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 the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Continuing Compliance with Certain Covenants

Failure of the District to comply with such covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issue. See “TAX MATTERS.”

Future Debt

Following the issuance of the Bonds, \$152,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the “System”); and \$76,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the “Road System”) will remain authorized but unissued, and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See “THE BONDS – Issuance of Additional Debt.”

Following the reimbursement with the proceeds of the Bonds, the District will owe the Developers approximately \$18,557,000 in reimbursable expenses for District projects, the funds for which were advanced by the Developers. See “THE SYSTEM” and “DEVELOPMENT WITHIN THE DISTRICT.”

The District is also responsible for the capital costs for its share of acquiring or constructing water, wastewater, and storm drainage facilities to serve the Master District Service Area (the “Master District Utility System”). The Master District has not issued Contract Revenue Bonds for the purpose of financing the Master District Utility System. The Master District intends to issue its first series of Contract Revenue Bonds in 2026. The principal amount of such bonds is yet to be determined. If the Master District issues Contract Revenue Bonds for financing the Master District Utility System, the District would pay for its share of the debt service requirements in the Contract Revenue Bonds issued for Master District Utility System through the Contract Tax as described in “THE SYSTEM – The Master District Contract.”

The District is also responsible for the capital costs for its share of road improvements to serve the Master District Service Area (the “Master District Road System”). The Master District has not issued Contract Revenue Bonds for the purpose of financing the Master District Road System. If the Master District issues Contract Revenue Bonds for the purpose of acquiring or constructing the Master District Road System, the District would pay for its share of the debt service requirements in the Contract Revenue Bonds issued for Master District Road System through the Contract Tax as described in “THE SYSTEM – The Master District Contract.”

As of October 1, 2025, the Master District owes the Developers approximately \$39,013,000 in reimbursable expenses for Master District projects, the funds for which were advanced by the Developers. See “THE SYSTEM – The Master District Contract.”

Approval of the Bonds

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

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 issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the provider of the Policy (the “Bond Insurer”) at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

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

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

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

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

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

THE BONDS

General

The Bonds are dated November 1, 2025, and mature on September 1 in the years and amounts set forth on the inside cover. Interest on the Bonds accrues from the Date of Delivery (on or about November 12, 2025) at the rates per annum set forth on the inside cover and is payable on March 1, 2026, and each September 1 and March 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 30-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 of principal amount 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 and registrar for the Bonds is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar").

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owner (the "Registered Owners") appearing on the registration and transfer books (the "Register") of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date (the "Record Date") and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

Redemption Provisions

The Bonds maturing on and after September 1, 2032, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on November 1, 2031, 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 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 herein above stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one (1) or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System (herein defined) should be discontinued, the Bonds are 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 or other governmental charges 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 Bonds 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 (3) 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 for any one (1) maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Replacement of Paying Agent/Registrar

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

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 limitation as to rate or amount, levied against all taxable property within 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 Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any unlimited tax bonds hereafter issued. The Bonds are obligations of the District and are not the obligations of Texas; the County; the City; or any entity other than the District.

Payment Record

The Bonds constitute the District's first series of bonded indebtedness. See "THE BONDS – Source of Payment."

Authority for Issuance

The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the Road System. Voters in the District have authorized a total of \$152,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and \$81,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System.

The Bonds are issued pursuant to Chapter 8489 of the Texas Special District Local Laws Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article III, Section 52 of the Texas Constitution; the Bond Resolution; and an election held within the District on May 4, 2024.

Issuance of Additional Debt

The District may issue additional bonds. Following the issuance of the Bonds, \$152,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; and \$76,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, will remain authorized but unissued.

Following reimbursement with the proceeds of the Bonds, the District will owe the Developers approximately \$18,557,000 in reimbursable expenses for District projects, the funds for which were advanced by the Developers.

Based on present engineering cost estimates and on development plans provided by the Developers, in the opinion of the Engineer, following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developers the remaining amounts owed for the existing financed facilities, and to finance the extension of the facilities to serve the remaining undeveloped land within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE SYSTEM," and "RISK FACTORS – Future Debt."

Funds

The Bond Resolution creates a fund to pay debt service on bonds issued for the Road System including the Bonds, and any additional bonds issued by the District for the Road System payable in whole or in part from taxes (the "Road System Debt Service Fund"). Eighteen (18) months of capitalized interest on the Bonds will be deposited from the proceeds of the 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, and any additional bonds issued by the District for the Road System payable in whole or in part from taxes, 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 anticipation notes issued together with interest thereon, as such tax anticipation notes become due.

The District will also maintain a fund for debt service on bonds issued for the Utility System (the "Utility System Debt Service Fund"). The Utility System Debt Service Fund, which will constitute a trust fund for the benefit of the owners of bonds issued by the District for the Utility System payable from taxes, will be kept separate from all other funds of the District, and will be used for payment of debt service on bonds issued for the Utility System payable in whole or in part from taxes. Amounts on deposit in the Utility 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 issued for the Utility System payable in whole or in part from taxes, and to pay any anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the Utility System, and funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the Road System, including the Bonds.

Annexation and Consolidation

The District lies within the extraterritorial jurisdiction of the City. Generally, under Texas law, the District may be annexed in whole, but not in part, by the City without the District's consent, in which case the City must assume the assets, functions and obligations of the District, including the Bonds. However, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. No

representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments should 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 the utility system), and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Strategic Partnership Agreement and Development Agreement

As of May 6, 2024, Southstar at Mayfair and the City entered into a First Amended and Restated Development Agreement (“Development Agreement”) setting forth certain parameters related to the development of Mayfair and any water districts, including the District and the Master District, serving the Mayfair. Among other requirements, the District was obligated to enter into a Strategic Partnership Agreement (“SPA”) with the City, which it has done so effective as of April 22, 2024.

Under the Development Agreement and the SPA, the City has agreed not to annex the District for full purposes until (a) the City Council by ordinance has assumed, or will assume, all obligations, and performed, or will perform, all actions required by Sections 43.0715 and 43.075, Texas Local Government Code, or any other then applicable law, and (b) any one of the following has occurred: (1) the earlier of (i) the fifteenth anniversary of the confirmation election date of the District, and (ii) the thirtieth anniversary of the Effective Date of the Development Agreement; (2) at least 90% of the improvements within the District that are eligible for reimbursement in accordance with the rules of the TCEQ have been constructed, subject to certain limitations; or (3) the expiration of the Development Agreement.

The SPA establishes terms and provision for future limited purpose annexations and allows the imposition of certain sales tax within such limited purpose annexed areas. The SPA further provides for terms relating to shared sales tax revenue that may be remitted to the District and used by the District for authorized purposes.

The DA contains provisions related to the issuance of bonds by the District and requires City consent prior to the advertisement of bonds issued by the District.

No Arbitrage

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

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. See “RISK FACTORS – Limitation to Registered Owners’ Remedies.”

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One (1) fully-registered Bond certificate will be issued for each 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 (the "Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants," and together with the Direct Participants, the "Direct and Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

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

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

The information in the section concerning DTC and 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.

Use of Certain Terms in Other Sections of Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections herein to Registered Owners should be read to include the person for which the 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 Resolution will be given only to DTC.

[Remainder of Page Intentionally Left Blank]

USE AND DISTRIBUTION OF BOND PROCEEDS

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

<u>CONSTRUCTION COSTS</u>	<u>District's Share</u>
A. District Items	
1. Mayfair – Parcel E-8 Unit 1 - Paving	\$ 2,126,270
2. Mayfair – Parcel E-6 - Paving	1,532,052
3. Mayfair – Parcel E-8 Unit 1 – Engineering	80,197
4. Mayfair – Parcel E-6 – Engineering	<u>67,370</u>
Total District Items	\$ 3,805,889
 TOTAL CONSTRUCTION COSTS	 \$ 3,805,889
 <u>NON-CONSTRUCTION COSTS</u>	
A. Legal Fees	\$ 130,000
B. Fiscal Agent Fees	100,000
C. Interest Costs	
1. Capitalized Interest (18 months)	356,991
2. Developer Interest	364,272
D. Bond Discount (3.00%)	150,000
E. Bond Issuance Expenses	51,089
F. Attorney General Fees (0.10%)	5,000
G. Contingency (a)	<u>36,759</u>
TOTAL NON-CONSTRUCTION COSTS	\$ 1,194,111
TOTAL SYSTEM BOND ISSUE REQUIREMENT	\$ 5,000,000

(a) Represents the difference between actual and allotted Capitalized Interest.

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

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for uses authorized under the applicable rules. In the instance that actual costs exceed previously approved estimated amounts and contingencies, the issuance of additional bonds may be required. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

[Remainder of Page Intentionally Left Blank]

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(September 2025)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(September 2025)



THE DISTRICT

General

The District was created pursuant to an Order Dividing District Into Three Districts, adopted by Comal County Water Improvement District No. 3 on February 9, 2024, as authorized by House Bill 3941, 83rd Legislative Session, Regular Session 2013 Chapter 1122 (HB 3941), effective June 14, 2013, as codified in Chapter 8489 of the Texas Special District Local Laws Code (the “Act”). The District operates pursuant to the Act; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and Article III, Section 52 of the Texas Constitution. The District consists of approximately 488 acres.

Among other purposes, the District is authorized to purchase, construct, operate and maintain public water, wastewater, and drainage facilities, and roads.

Location

The District is generally bounded on the west by IH-35 and south by Kohlenberg Rd. Primary access to the District will be from the frontage along IH-35. A secondary access point will be from Kohlenberg Rd.

Management of the District

- Board of Directors -

The District is governed by a board, consisting of five (5) directors, which has control over and management and supervision of all affairs of the District. All of the Directors own property within the District. Directors serve staggered four (4) year terms. Elections are held in even numbered years in May. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Trevor Tast	President	2026
Gerald Cook	Vice President	2028
Tate Johnson	Secretary	2026
Tom Jones	Assistant Secretary	2028
Cesar Alvarado	Assistant Secretary	2026

- Consultants -

Tax Assessor/Collector – Land and improvements in the District are being appraised by the Comal Central Appraisal District (the “Appraisal District”). The tax assessor/collector for the District is Comal County.

Bookkeeper – The District contracts with L&S District Services, LLC as bookkeeper for the District.

Engineer – The District’s consulting engineer is Pape-Dawson Engineers, LLC, New Braunfels, Texas (the “Engineer”).

Auditor – As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District’s audit prepared by McCall Gibson Swedlund Barfoot Ellis, PLLC for the fiscal year ending June 30, 2024, is included as “APPENDIX A.”

Financial Advisor – Robert W. Baird & Co. Incorporated serves as the District’s financial advisor (“the “Financial Advisor”). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information herein.

Bond & General Counsel – The District has engaged The Muller Law Group, PLLC as bond counsel (“Bond Counsel”) in connection with the issuance of the District’s Bonds. The fees of Bond Counsel are based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is earned upon the sale and delivery of the Bonds. The Muller Law Group, PLLC also serves as the District’s general counsel.

Disclosure Counsel – McCall, Parkhurst & Horton L.L.P., Dallas, Texas, has been designated as disclosure counsel (“Disclosure Counsel”). The fees of Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

THE DEVELOPERS AND PRINCIPAL LANDOWNERS

The Role of a Developer

In general, the activities of a developer in a municipal utility 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 subdivisions, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In certain instances, the developer will be required to pay up to 30% of the cost of constructing certain water, wastewater and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of property within a municipal utility 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 the 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 the major taxpayer within a municipal utility district during the development phase of the property.

Description of the Developers and Principal Landowners

Southstar at Mayfair, LP, a Delaware limited partnership (“Southstar at Mayfair”), whose general partner is Southstar at Mayfair, GP LLC a Delaware limited partnership, is the developer of approximately 488.1 acres in the District being developed as Mayfair, on which it has completed development of 385 single-family lots on approximately 90 acres. Southstar at Mayfair currently owns the remaining approximately 378 undeveloped but developable acres including 266.05 acres under development and approximately 5 vacant developed lots within the District. Southstar at Mayfair is a thinly capitalized limited partnership whose assets consist of the land in the District and within the Mayfair development and the receivables due from the District for development costs. Southstar at Mayfair is a single purpose entity formed for the purpose of developing the land it owns in the District and within the Mayfair development. Southstar at Mayfair has entered into a management agreement with Southstar Communities Operations LLC, a Delaware limited liability company (“Southstar”), for the purpose of managing the day-to-day development activities within the District. Southstar and Southstar at Mayfair are under common ownership and control.

Several parcels within the District are being developed by other developing entities as described below, but Southstar at Mayfair has retained all rights to reimbursement from proceeds of bonds issued by the District.

Approximately 37.315 acres within the District are being developed as Parcel E-9N by Ranch Road Mayfair, LLC, a Texas limited liability company (“Ranch Road Mayfair”). Such acreage is currently under construction and is anticipated to be completed in the first quarter of 2026.

Southstar and Ranch Road Mayfair may be collectively referred to herein as the “Developers.”

Felder CND Mayfair LLC, a Texas limited liability company (“Felder CND”) developed approximately 34.46 acres within the District as Parcel E-6 comprised of 194 completed lots. All horizontal infrastructure to serve Parcel E-6 is now complete and Felder Homes and David Weekley Homes are constructing the homes within Parcel E-6. Felder CND owns the remaining 166 vacant developed lots within Parcel E-6.

Development Financing

Southstar at Mayfair has obtained financing for a portion of the development of the District through the Public Finance Authority, a body politic and corporate created and existing under the laws of the State of Wisconsin (the “PFA”). The PFA issued \$42,800,000 Tax-Exempt Revenue Anticipation Bonds (Mayfair Project), Series 2024A-4 (the “PFA Bonds”), which are secured in part by the sale and assignment of the Southstar at Mayfair's right to receive the proceeds from the sale of future unlimited tax bonds, including the Bonds, issued by the District pursuant to the Master Development Financing Agreement between the District and Southstar at Mayfair effective as of May 10, 2024, as amended. According to Southstar at Mayfair, it is currently in compliance with all material representations and certifications made with respect to the PFA Bonds and has made the necessary certifications made with respect to the PFA Bonds and has made the necessary

certifications required by the Texas Attorney General ensuring the proceeds of the Bonds are being used for lawful purposes authorized under the Texas Law.

Lot Sales Contracts

Southstar at Mayfair has entered into lot sales contracts with each of Highland Homes, David Weekley Homes, Toll Brothers Homes, and Coventry Homes. The contracts for the sale of lots between Southstar at Mayfair and the builders require that earnest money be deposited with a title company, typically 5-10% of the total price of the completed lots. The sales contracts establish certain required lot purchases periodically upon substantial completion, with the earnest money deposit being returned to the builders upon purchase of the last lots under each contract. Southstar at Mayfair's sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit, currently, approximately \$430,200.00.

DEVELOPMENT WITHIN THE DISTRICT

General

The District is comprised of approximately 488 acres. As of September 26, 2025, approximately 90.34 acres (385 lots) have been developed, including: 104 complete and occupied homes; 8 complete and unoccupied homes; 11 model homes; 63 homes under construction; and 199 vacant developed lots. The remainder of land within the District consists of approximately 202 acres under development, approximately 177 remaining developable acres, and approximately 19 undevelopable acres.

Status of Development within the District

The table below summarizes the development within the District as of September 26, 2025 by section:

	Section Acres	Section Lots	Homes Complete	Homes Under Construction	Vacant Lots
Parcel E-8, Unit 1	55.88	191	115	43	33
Parcel E-6	34.46	194	8	20	166
Total	90.34	385	123	63	199
Under Development	201.7				
Undevelopable	19.3				
Remaining Developable	176.8				
District Total	488.10				

Homebuilders within the District

Homebuilders active within the District include: Perry Homes; Highland Homes; Coventry Homes; Toll Brothers; David Weekley Homes; Scott Felder Homes; and DR Horton Homes. The homes being marketed in the District range in price from approximately \$292,000 to over \$810,000.

MAYFAIR

General

The District is one of three municipal utility districts within the approximately 1,883 acres being marketed as the master-planned community of Mayfair (the "Service Area"). To date, approximately 90.34 acres (385 lots) have been developed within the District as Mayfair Parcels E-8 Unit 1, and Parcel E-6. Additionally, approximately 201 acres (364 lots) are currently being developed within the District. Development within WID 3B has not yet commenced.

[Remainder of Page Intentionally Left Blank]

DISTRICT DEBT

Estimated Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements for the principal and interest requirements for the Bonds. Totals may not sum due to rounding.

Year Ending 12/31	The Bonds		
	Principal	Interest	Total Debt Service
2026	\$ -	\$ 191,056	\$ 191,056
2027	110,000	237,994	347,994
2028	115,000	230,844	345,844
2029	120,000	223,369	343,369
2030	125,000	215,569	340,569
2031	135,000	207,444	342,444
2032	140,000	198,669	338,669
2033	150,000	189,569	339,569
2034	155,000	179,819	334,819
2035	165,000	173,619	338,619
2036	175,000	167,019	342,019
2037	180,000	160,019	340,019
2038	190,000	152,819	342,819
2039	200,000	145,219	345,219
2040	210,000	136,969	346,969
2041	220,000	128,044	348,044
2042	235,000	118,419	353,419
2043	245,000	108,138	353,138
2044	260,000	97,113	357,113
2045	275,000	85,413	360,413
2046	285,000	73,038	358,038
2047	300,000	60,213	360,213
2048	320,000	46,713	366,713
2049	335,000	31,913	366,913
2050	355,000	16,419	371,419
	<u>\$ 5,000,000</u>	<u>\$ 3,575,412</u>	<u>\$ 8,575,412</u>
Average Annual Requirement on the Bonds			
(2026–2050).....			\$ 343,016
Maximum Annual Requirement on the Bonds			
(2050).....			\$ 371,419

[Remainder of Page Intentionally Left Blank]

DISTRICT FINANCIAL DATA

Assessed Value

2025 Assessed Valuation \$ 67,363,244 (a)
(100% of the taxable value as of January 1, 2025)

Estimated Assessed Valuation as of August 1, 2025..... \$ 131,080,199 (b)
(100% of the estimated taxable value as of August 1, 2025)

Direct Debt:

The Bonds \$ 5,000,000
Total..... \$ 5,000,000

Estimated Overlapping Debt..... \$ 4,297,578

Total Direct and Estimated Overlapping Debt \$ 9,297,578

Direct Debt Ratios:

Based on the 2025 Assessed Valuation 7.42 %
Based on the Estimated Assessed Valuation as of August 1, 2025..... 3.81 %

Direct and Estimated Overlapping Debt Ratios:

Based on the 2025 Assessed Valuation 13.80 %
Based on the Estimated Assessed Valuation as of August 1, 2025..... 7.09 %

Road Debt Service Fund Balance (as of the Date of Delivery)..... \$ 393,750 (c)

Operating Fund Balance (as of September 12, 2025) \$ 340,408 (d)

-
- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2025, provided by the Appraisal District (herein defined). Such amount does not include approximately \$16,743,251 in uncertified value. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the assessed valuation of all taxable property located within the District as of August 1, 2025, and includes an estimate of valuations resulting from the construction of taxable improvements from January 1, 2025, through August 1, 2025. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund (herein defined). The funds in the Road Debt Service Fund are pledged only to pay debt service on the Bonds or any additional bonds the District may hereafter issue for the Road System.
- (d) See "RISK FACTORS – Operating Funds."

Unlimited Tax Bonds Authorized but Unissued

Election Date	Purpose	Authorized	Issued to Date	Unissued
5/4/2024	Water, Wastewater, and Drainage	\$ 152,500,000	\$ -	\$ 152,500,000
5/4/2024	Roads	81,000,000	5,000,000 (a)	76,000,000

(a) Includes the Bonds.

Investment Authority and Investment Practices of the District

The District has adopted an investment policy (the "Investment Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Investment Policy. The Investment Policy states that the funds of the District may be invested in obligations of the United States or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and Texas CLASS, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

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 the "Texas Municipal Report," 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. Totals may not sum due to rounding.

Taxing Jurisdiction	Outstanding Debt as of August 31, 2025	Estimated Overlapping	
		Percent	Amount
Comal County	\$ 97,730,000	%0.20	\$ 196,856
Comal Independent School District	1,440,220,214	%0.28	\$ 4,100,723
Total Estimated Overlapping Debt			\$ 4,297,578
The District			\$ 5,000,000 (a)
Direct & Estimated Overlapping Debt			\$ 9,297,578 (a)

(a) The Bonds.

Debt Ratios

	Direct Debt (a)	Direct and Estimated Overlapping Debt (a)
2025 Assessed Valuation (\$67,363,244)	7.42%	13.80%
Estimated Assessed Valuation as of August 1, 2025 (\$131,080,199)	3.81%	7.09%

(a) Includes the Bonds.

TAX DATA

General

All 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 Resolution 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. For the 2024 tax year, the District levied a maintenance and operations tax of \$0.95 per \$100 of assessed valuation. The District has authorized publication of its intent to levy a total tax rate of \$0.95 per \$100 of assessed valuation for the 2025 tax year.

Contract Tax

The Master District has the statutory authority and voter authorization of each of the Participants, including the District, to issue Master District Bonds. Each Participant's pro rata share of the debt service requirements on the Master District Bonds is determined by dividing each Participant's certified assessed value by the total of all the Participants' certified assessed valuation. The Master District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Master District Bonds from the proceeds of an annual unlimited Contract Tax, from revenues derived from the operation of its water distribution and wastewater collection system, or from any other legally available funds. The debt service requirement includes principal, interest and redemption requirements on the Master District Bonds, paying agent/registrar fees, and all amounts necessary to establish and maintain funds established under the bond documents pursuant to which the Master District Bonds are issued. See "Tax Rate Distribution" below and "THE SYSTEM – The Master District Contract" and "RISK FACTORS – Overlapping Master District Debt and Contract Tax."

Tax Rate Limitation

System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road Debt Service:	Unlimited (no legal limit as to rate or amount).
Contract Tax:	Unlimited (no legal limit as to rate or amount).
Maintenance and Operations:	\$1.20 per \$100 of Assessed Valuation.

Debt Service Tax

The District did not levy a debt service tax rate for the 2024 tax year. The District does not anticipate to levy such tax for the 2025 tax year. Such tax is in addition to taxes which the District is authorized to levy for maintenance and operations purposes.

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. On May 4, 2024, the Board was authorized to levy such maintenance and operations tax in an amount not to exceed \$1.20 per \$100 of assessed valuation. For the 2024 tax year, the District levied a maintenance and operations tax of \$0.95 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on debt issued by the District.

Tax Exemption

To date, the District has not adopted a general residential homestead exemption nor a residential homestead exemption for individuals who are disabled or 65 years of age or older. See "TAXING PROCEDURES."

Additional Penalties

The District contracts with a delinquent tax attorney to collect certain delinquent taxes, once such taxes become delinquent. In connection with that contract, the District established an additional penalty of 20% of the tax to defray the costs of collection. This 20% penalty applies to taxes that either; (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal

property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Historical Collections

The following table illustrates the collection history of the District for the 2024–2025 tax years:

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Percent Collections Current Year	Tax Year Ending 09/30	Percent Collections as of 8/31/2025
2024	\$ 48,289,529	\$ 0.95	\$ 458,751	99.72%	2025	99.72%
2025	67,363,244	0.95	639,951	(b)	2026	(b)

(a) Total tax rate per \$100 of assessed valuation.

(b) Collections for the 2025 tax year have not yet commenced, as the District has not levied its tax rate.

Tax Rate Distribution

The following table illustrates the components of the tax rate for the District's 2024–2025 tax years:

	2025 (a)	2024
System Debt Service	\$0.000	\$0.000
Road Debt Service	0.000	0.000
Contract Tax	0.000	0.000
Maintenance and Operations	0.950	0.950
Total	<u>\$0.950</u>	<u>\$0.950</u>

(a) The District has authorized publication of its intent to levy a total tax rate of \$0.95 per \$100 of assessed valuation for the 2025 tax year.

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value for the 2024–2025 tax years by type of property:

Type of Property	2025 Assessed Valuation	2024 Assessed Valuation
Land	\$ 37,682,019	\$ 54,485,342
Improvements	41,326,132	414,340
Personal Property	1,087,950	-
Exemptions	(12,732,857)	(6,610,153)
Total	\$ 67,363,244	\$ 48,289,529

Principal Taxpayers

The following table illustrates the principal taxpayers, type of property, and their assessed values as of January 1, 2025:

Taxpayer	Type of Property	Assessed Valuation 2025 Tax Roll	Percent of 2025 Tax Roll
Southstar at Mayfair Developer LLC (a)	Land & Improvements	\$ 16,500,176	24.49%
Felder CND Mayfair LLC (a)	Land & Improvements	9,025,830	13.40%
Toll Southwest LLC (b)	Land & Improvements	6,516,828	9.67%
Perry Homes LLC (b)	Land & Improvements	3,093,185	4.59%
DFH Coventry LLC (b)	Land & Improvements	2,869,680	4.26%
Village at Mayfair LLC	Land & Improvements	2,732,250	4.06%
404 West Alpine LLC	Land & Improvements	1,745,980	2.59%
660 DFH II LLC	Land & Improvements	1,221,040	1.81%
Weekley Homes LLC (b)	Land & Improvements	1,216,140	1.81%
Novak Mayfair LLC	Land & Improvements	1,212,900	1.80%
Total		\$ 43,704,969	68.49%

(a) See "THE DEVELOPERS AND PRINCIPAL LANDOWNERS."

(b) See "DEVELOPMENT WITHIN THE DISTRICT – Homebuilders within the District."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2025 Assessed Valuation of \$67,363,244 or the estimated assessed valuation as of August 1, 2025, of \$131,080,199. The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds by the District.

Average Annual Debt Service Requirement on the Bonds

(2026–2050).....	\$ 343,016
Tax Rate of \$0.54 on the 2025 Assessed Valuation	\$ 345,573
Tax Rate of \$0.28 on the Estimated Assessed Valuation as of August 1, 2025	\$ 348,673

Maximum Annual Debt Service Requirement on the Bonds

(2050).....	\$ 371,419
Tax Rate of \$0.59 on the 2025 Assessed Valuation	\$ 377,571
Tax Rate of \$0.30 on the Estimated Assessed Valuation as of August 1, 2025	\$ 373,579

Estimated Overlapping Taxes

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

Set forth below is an estimation of all 2025 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other charges made by entities other than political subdivisions. See "DISTRICT FINANCIAL DATA – Estimated Direct and Overlapping Debt Statement."

<u>Taxing Jurisdiction</u>	<u>2025 Tax Rate</u>
The District (a)	\$ 0.950000
Comal County	0.305015
Comal County Lateral Road	0.091100
Comal Independent School District	1.074800
Comal County ESD No. 7	<u>0.048428</u>
Total	\$ 2.469343

(a) The District has authorized publication of its intent to levy a total tax rate of \$0.95 per \$100 of assessed valuation for the 2025 tax year.

TAXING 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, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above 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 System and roads serving the District, and for the payment of certain contractual obligations if authorized by its voters. See "RISK FACTORS – Future Debt" and "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-wide Appraisal District

Title I of the Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions 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 Texas an appraisal district with the responsibility for

recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility of appraising property for all taxing units within the County, including the District. Such appraisal values are subject to review and change by the Comal Central 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 rolls 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, manufactured homes, and certain categories of intangible personal property with a tax situs within the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, 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. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and 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. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse of a deceased veteran who had received a disability rating of 100%, 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.

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption also applies, under certain conditions, to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption in the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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 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.

To date, the District has not adopted a general residential homestead exemption nor a residential homestead exemption for individuals who are disabled or 65 years of age or older.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. The District is authorized by statute to disregard previously granted residential homestead exemptions 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. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1.

Freeport Goods 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 not later than 175 days after the person acquired or imported the property into Texas.

A “Goods-in-Transit Exemption” is applicable to goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, petroleum products, aircraft, dealer’s motor vehicle inventory, dealer’s vessel and outboard motor inventory, dealer’s heavy equipment inventory, or retail manufactured housing inventory, if such property is acquired in or imported into Texas only if such property is to be forwarded to another location in or outside of Texas and is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property, and is transported to another location in the state or outside of the state not later than 175 days after the date the person acquired the property in or imported the property into Texas.

A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Valuation of Property for Taxation

Generally, property within 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 formally 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 100% of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land’s capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant’s right to the designation individually. A claimant may waive the special valuation as to taxation by one (1) political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes and a 5% annual interest for the previous three (3) years for agricultural use, open space land and timberland.

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

Section 11.35 of the Property Tax Code, authorizes a temporary tax exemption for certain damaged property in Governor (herein defined)-declared disaster areas. In order to qualify for the exemption, the property must be at least 15% damaged, as determined by the chief appraiser of the appraisal district. Upon a property owner’s application for an exemption, the chief appraiser must assign a damage rating of Level I – at least 15%,

but less than 30% (minimal damage), Level II – at least 30%, but less than 60% (nonstructural damage), Level III – at least 60%, but less than 100% (significant structural damage), or Level IV – 100% (total loss). The amount of the exemption for qualifying property is determined by multiplying the appraisal value by the level rating percentage (Level I – 15%, Level II – 30%, Level III – 60%, and Level IV – 100%), which is then prorated by the number of days from the disaster declaration to December 31 of the tax year in which the disaster is declared as a percentage of total days in the year.

Property owners are entitled to the exemption if the Governor of Texas (the “Governor”) declares the disaster area prior to a taxing unit adopting a tax rate for the year in which the disaster occurs. However, if the disaster declaration occurs on or after the date a taxing unit adopts a tax rate, property owners are only entitled to receive the exemption if the governing body of the taxing unit adopts the exemption within 60 days of the disaster declaration. The exemption expires on January 1 of the first tax year in which the property is reappraised.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 (“SB 2”), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5,000,000 (the “Maximum Property Value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20% of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in Texas district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal 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 that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed, except set forth herein with respect to residential homesteads. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% of the amount of the delinquent tax regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid.

The Property Tax Code makes provisions for the split payment of taxes and discounts for early payment under certain circumstances which, at the option of the District, may be rejected by taxing units. The Property Tax Code also provides for the postponement of the delinquency date of taxes in certain circumstances. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Certain qualified taxpayers, including 1) owners of residential homesteads or certain properties used for residential purposes, located in a disaster or emergency area and which has been damaged by the disaster or emergency, and 2) certain qualified business entities that own or lease real and/or tangible property, located in a disaster or emergency area and which has been damaged by the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District on taxes imposed on the property prior to the first anniversary of the disaster or emergency if the business entity pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments before the first day of the sixth month after the delinquency date.

Additionally, certain qualified business entities that own or lease real and/or tangible property located in a disaster or emergency area and which has not been damaged by the disaster or emergency, may be permitted by a taxing jurisdiction such as the District, at the taxing jurisdiction's discretion, to enter into a tax payment installment agreement on taxes imposed on the property prior to the first anniversary of the disaster or emergency under the same terms as set forth in the paragraph directly above.

A property owner serving on active duty for any branch of the United States armed forces who is transferred out of the state may defer payment on property taxes without incurring any penalty or interest. Deferred tax payments are due no later than 60 days after the earliest of the following to occur: (1) the person is discharged from active military service, (2) the person returns to the state for more than ten (10) days, or (3) the person returns to non-active-duty status in the reserves. After the deferral period expires, any unpaid delinquent taxes will accrue interest but will not incur any penalty.

Rollback of Operation and Maintenance Tax Rate

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

Low Tax Rate District

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year,

plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor or the President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts

Districts that do not meet the classification of a Low Tax Rate District or a Developed District 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, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District

For the 2025 tax year, the District made the determination of its status as 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.

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, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. 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. In the absence of federal law, the District's tax lien takes priority over a tax lien of the United States. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described under "TAXING PROCEDURES – Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the 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 that was used as the residence homestead of the owner, certain land designated for agricultural use, or a mineral interest sold at a tax sale to a purchaser other than a taxing unit within two (2) years of the date on which the purchaser's deed at the foreclosure sale is filed in the county records. For all other real property, a taxpayer may redeem the property not later than the 180th day following the date on which the purchaser's or taxing unit's deed is filed for record. See "RISK FACTORS – General," "TAX DATA – Estimated Overlapping Taxes," and "TAXING PROCEDURES – Levy and Collection of Taxes."

The District's ability to attach or foreclose a tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended.

THE SYSTEM

The Master District Contract

The District is part of the Master District System in which the Master District provides, finances, constructs, owns, operates, and/or maintains certain Master District Facilities to serve the Participants that i) are located within the Master District's Service Area; ii) have entered into the Master District Contract with the Master District; and iii) are receiving services from the Master District. Each Participant will finance, construct, own, operate and maintain its own internal water, sewer, drainage and road facilities.

The Master District's Service Area is approximately 1,883 acres of land generally located west of FM 1101, east of FM 1102, and north of Kohlenberg Rd. There is currently one (1) additional district other than the Master District and the District within the Service Area. This is Comal County Water Improvement District No. 3B (the "WID 3B"); however, WID 3B is not actively developing and has not entered into the Master District Contract, and, therefore, is not considered a Participant at this time. WID 3B may enter into a Master District Contract in the future.

Currently, only the District has entered into the Master District Contract with the Master District, which contract was approved by the voters of both districts, as required by law, at their respective elections held on May 4, 2024. The District is currently the only Participant in the Master District System. The District is also the only municipal utility district within the Service Area to be actively developing. If and when development commences in WID 3B, such district will be requested to submit the Master District Contract to their respective voters for approval in order to receive the services and benefits that come with being part of the Master District System.

Among other things, the Master District Contract provides that the Master District will issue Master District Bonds from time to time to finance Master District Facilities that serve the Participants. Such bonds will be issued as contract revenue bonds payable solely from the contract revenues collected by the Master District from the Participants for such purpose. The Participants are required to levy and collect a contract tax, without legal limit as to rate or amount, on all taxable property within their respective boundaries sufficient to pay their respective pro rata shares of the debt service payments on the Master District Bonds, including, if applicable, any charges and expenses of paying agents, registrars and trustees utilized in connection with the Master District Bonds, the principal, interest and redemption requirements of the Master District Bonds and all amounts required to establish and maintain funds established under the Master District Bond documents entered into by the Master District. Each Participant's contract payments will be calculated annually by the Master District; however, the levy of a contract tax or the provisions of other lawfully available funds to make its contract payments is the sole responsibility of each Participant.

A Participant's pro rata share of the debt service payments on Master District Bonds is calculated as the total assessed value of taxable property located in such district divided by the total assessed value of taxable property located within the boundaries of all Participants. At this time, as the only Participant, the District's share of debt service payments on any Master District Bonds is 100%. There is no limit in the Master District Contract on the total principal amount of Master District Bonds that may be issued by the Master District. To date, the Master District has not issued any bonds. The Master District intend to issue bonds in the 2026 calendar year. The amount of such bonds is yet to be determined. The contract tax is in addition to the direct total tax rate of the District.

The Master District Contract further requires that each Participant fund its pro-rata share of the Master District's operational expenses, with each Participant's pro-rata share being calculated by dividing the number of water connections within such Participant by the number of water connections located within the boundaries of all Participants. Each Participant is obligated to establish and maintain rates, fees, and charges for its services which, together with tax revenues and funds received from any other lawful sources, are sufficient at all times to pay the operation and maintenance expenses of the Master District. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District Facilities by such Participant in addition to the Master District's other remedies pursuant to the Master District Contract. As a practical matter, the Participants have no alternative provider of the water and wastewater services rendered by the Master District under the Master District Contract. Currently, as the only Participant, the District is responsible for paying all of the administrative expenses of the Master District, which it pays in the form of "Monthly Charges" invoiced monthly by the Master District.

Description of the System

Utility Agreement with the City of New Braunfels

Water supply and wastewater collection and treatment is provided to the District by New Braunfels Utilities (“NBU”), which is the exclusive manager of the water and wastewater system owned by the City. As of December 14, 2023, the City, NBU, the Developers, and Beaverhead NB, LLC, entered into an Amended and Restated Utility Construction Cost Sharing Agreement (“Utility Agreement”) related to water and wastewater service to up to 5,800 LUEs land within Service Area, including land within the District. The District has accepted the terms of the Utility Agreement, as required by such agreement.

The Utility Agreement obligates the Developers, on behalf of the Master District and the District to, construct and convey to NBU certain internal and offsite infrastructure necessary to connect the Service Area to NBU’s regional facilities by certain dates described in the Utility Agreement. In exchange for the timely construction of such facilities and payment of impact and development fees to NBU, NBU will timely construct certain regional improvements and provide retail water and wastewater service to users within the Service Area.

The Utility Agreement provides that service from NBU’s McKenzie Regional Wastewater Plant is not currently available to the Service Area, and accordingly, Southstar at Mayfair is required to construct interim wastewater treatment plant facilities (“Interim WWTP”) to provide wastewater treatment services to the Service Area until the McKenzie Regional Wastewater Plant expansion and other regional improvements are complete and flows can be diverted to such plant. The Interim WWTP is complete and operational at this time.

Water and Wastewater System

According to the District’s Engineer, Pape-Dawson Consulting Engineers, LLC (the “District’s Engineer”), the System has 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, the City, NBU, and the County. According to the District’s Engineer, the design of all such facilities has been approved by all required governmental agencies.

Operation of the District’s water supply and wastewater treatment facilities, other than the Interim WWTP, is provided by NBU, and is subject to regulation by, among others, the United States 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.

Source of Water Supply: Water supply for NBU is obtained from GBRA GCSWP, GCSUD, the City of Seguin, Trinity Aquifer, Run-of-River, GBRA Canyon Reservoir, and the Edwards Aquifer. Water from these sources is delivered to NBU and from there distributed to retail customers such as the residents of the District.

Source of Wastewater Treatment: : Wastewater treatment is currently being provided by the Interim WWTP. Ultimate wastewater treatment service will be provided by NBU’s McKenzie Regional Wastewater Plant upon completion of its projected expansion and regional improvements necessary to divert flows to such plant. The Interim WWTP has capacity to provide wastewater treatment for up to 0.30 MGD average daily flow, or up to 1,500 LUE based on 200 gpd average daily flow.

Drainage System and the 100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded.

According to the District’s Engineer, the District’s drainage system has been designed and constructed to all current standards. None of the developable acreage within the District is located within the 100-year flood plain. Additionally, the District’s storm water drainage system has been designed and constructed in accordance with current applicable regulatory standards for a development of this size and location. See “RISK FACTORS – Atlas 14.”

Road System

Construction of the District's Road System is subject to regulations by the City and Comal County ("County"). The roads in the District are constructed with hot mix asphalt concrete with curb and gutter on stabilized subgrade. In accordance with the City's Major Thoroughfare Plan, minor arterial and collector roads will continue to be constructed and remaining streets will provide local interior service within the District. The Road System also includes, or will include, streetlights and franchise utilities (power, phone and cable). Public utilities such as water, wastewater and storm drainage are typically located within street rights-of-way. The Road System is maintained by the County and consists, or will consist upon completion, of the internal roadways adequate for serving the commercial property and single-family homes within the District. The roads within the District vary in width in accordance with standards adopted by the County, but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District.

As described under "USE AND DISTRIBUTION OF BOND PROCEEDS," a portion of the proceeds of the Bonds will be used to reimburse the Developers for the costs associated with certain road improvements within the District.

Regulation

The water, sanitary water and drainage facilities and systems, the purchase, acquisition and construction of which will be financed by the District with the proceeds of the Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities. According to the Engineer, the design of the water, sanitary water and drainage facilities and systems have been approved by all governmental agencies that have jurisdiction over the District.

Historical Operations of the System

	Fiscal Year Ended June 30		
	2024	2023	2022 (a)
EXPENDITURES:			
Professional Fees	\$ 322,491	\$ 325,198	\$ 238,886
Contracted Services	6,749	5,160	-
Other	15,861	15,129	12,809
TOTAL EXPENDITURES	\$ 345,101	\$ 345,487	\$ 251,695
EXCESS/DEFICIENCY	\$ (345,101)	\$ (345,487)	\$ (251,695)
OTHER FINANCING SOURCES/USES			
Developer Advances	\$ 164,000	\$ 394,000	\$ 183,000
NET CHANGE IN FUND BALANCE	\$ (181,101)	\$ 48,513	\$ (68,695)
BEGINNING FUND BALANCE	(20,182)	(68,695)	-
ENDING FUND BALANCE	\$ (201,283)	\$ (20,182)	\$ (68,695)

(a) Unaudited.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of Texas payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; the approving legal opinion of Bond Counsel, to a like effect and to the effect that (i) interest on the Bonds is excludable from gross income for federal tax purposes under existing law and (ii) interest on the Bonds will not be subject to the alternative minimum tax on individuals.

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

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

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated as of the Date of Delivery, executed by both the Board President or the Board Vice President and the Board Secretary or the Board Assistant Secretary, 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 attaching the Bonds; restraining or enjoining the issuance, execution, or delivery of the Bonds; affecting the provisions made for the payment of or 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.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, under current law, interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code for the alternative minimum tax imposed on such corporations. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel's opinion is given in reliance upon certifications by representatives of the District as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The District has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure, and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the

Bonds. Failure by the District to comply with such covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations, and exclusions that are a part of the conclusions therein. See *“Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions”*, 63 Bus. Law. 1277 (2008) and *“Legal Opinion Principles”*, 53 Bus. Law. 831 (May 1998). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

Bond Counsel’s opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue Service (the “Service”) or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel’s attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

Alternative Minimum Tax

Individuals – Bond Counsel’s opinion states that under current law interest on the Bonds is not an item of reference and is not subject to the alternative minimum tax on individuals.

Applicable Corporations – Bond Counsel’s opinion also states that under current law interest on the Bonds may have to be taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an “applicable corporation” generally is a corporation with average annual adjusted financial statement income for a 3-taxable-year period ending after December 31, 2021, that exceeds \$1 billion.

Other Tax Matters

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state, local, or foreign jurisdiction.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the District as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

There are many events that could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

Original Issue Discount

Some of the Bonds may be sold at initial sale prices that are less than their respective stated redemption prices payable at maturity (collectively, the “Discount Bonds”). The excess of (i) the stated redemption price at maturity of each maturity of the Discount Bonds, over (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Discount Bonds is sold will constitute original issue discount. Original issue discount will accrue for federal income tax purposes on a constant-yield-to-maturity method based on regular compounding; and a holder’s basis in such a Bond will be

increased by the amount of original issue discount treated for federal income tax purposes as having accrued on the Bond while the holder holds the Bond.

Under the Code, for purposes of determining a holder's adjusted basis in a Discount Bond, original issue discount treated as having accrued while the holder holds the Bond will be added to the holder's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on semiannual compounding. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a Discount Bond.

Prospective purchasers of Discount Bonds should consult their own tax advisors as to the calculation of accrued original issue discount and the state and local tax consequences of owning or disposing of such Bonds.

Bond Premium

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual, and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

Qualified Tax-Exempt Obligations

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions within the meaning of Section 265(b) of the Code.

CONTINUING DISCLOSURE

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. In addition, the District has agreed to provide information with respect to Southstar at Mayfair and any affiliated entities, any person or entity to whom Southstar at Mayfair voluntarily assigns (except as collateral) the right to receive payment out of the proceeds from the sale of the bonds of the District, and each other person or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The District will be obligated to provide information concerning Southstar at Mayfair and any other such 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 persons have 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 persons are obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District's bonds then outstanding. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included herein under the headings "DISTRICT DEBT," "TAX DATA," except for "- Estimated Overlapping Taxes," and "APPENDIX A," and with respect to Southstar at Mayfair, the information included herein under the heading "TAX DATA - Principal Taxpayers." The District will update and provide this information within six (6) months after the end of each of its fiscal years commencing with the 2026 fiscal year end.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or

regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six (6) month period, and audited financial statements when and if the audit report becomes available.

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

Material 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 (10) business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the 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-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. Neither the Bonds nor the Bond Resolution make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity,

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

Compliance with Prior Undertakings

The Bonds represent the District's first series of bond indebtedness, as such, the District has not previously entered into a continuing disclosure agreement.

OFFICIAL STATEMENT

Experts

In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor:

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

Tax Assessor/Collector and Appraisal District: The information contained herein relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "TAX DATA," has been provided by Comal County and the Comal Appraisal District in reliance upon their authority as experts in appraising and tax assessing.

Updating of Official Statement

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

Certification as to Official Statement

The District, acting by and through its Board 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.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained herein are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Comal County Water Improvement District No. 3A as of the date shown on the cover.

/s/ Trevor Tast
President, Board of Directors
Comal County Water Improvement District No. 3A

ATTEST:

/s/ Tate Johnson
Secretary, Board of Directors
Comal County Water Improvement District No. 3A

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A

COMAL COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2024

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET	9
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	11
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	12
NOTES TO THE FINANCIAL STATEMENTS	13-22
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	N/A
SUPPLEMENTARY INFORMATION - REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statement)	
SERVICES AND RATES	24
GENERAL FUND EXPENDITURES	25
INVESTMENTS	N/A
TAXES LEVIED AND RECEIVABLE	N/A
CHANGES IN LONG-TERM BOND DEBT	N/A
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND - THREE YEARS	26-27
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	28-29

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, TX 78755-5126
(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Comal County Water Improvement District No. 3A
Comal County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Comal County Water Improvement District No. 3A (the "District") as of and for the year ended June 30, 2024, 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 June 30, 2024, 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.

Required Supplementary Information (Continued)

Management has omitted the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

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 18, 2024

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2024

Management's discussion and analysis of the financial performance of Comal County Water Improvement District No. 3A (the "District") provides an overview of the District's financial activities for the fiscal year ended June 30, 2024. 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 portion of these statements provides 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.

This is the District-wide statement of position presenting information that includes all of the District's assets and liabilities 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 as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities reports how the District's net position changed during the current fiscal 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 resources not accounted for in another fund, developer advances, operating costs and general expenditures.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2024

FUND FINANCIAL STATEMENTS (Continued)

The governmental fund is reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental fund. 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 explains the differences between the two presentations and assists 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 other supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$9,199,256 as of June 30, 2024.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

A comparative analysis of government-wide changes in net position is presented below.

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 7,357	\$ 4,989	\$ 2,368
Capital Assets (Net of Accumulated Depreciation)	14,099,679		14,099,679
Total Assets	\$ 14,107,036	\$ 4,989	\$ 14,102,047
Due to Developer	\$ 23,097,652	\$ 577,000	\$ (22,520,652)
Other Liabilities	208,640	25,171	(183,469)
Total Liabilities	\$ 23,306,292	\$ 602,171	\$ (22,704,121)
Net Position:			
Net Investment in Capital Assets	\$ (8,256,973)	\$	\$ (8,256,973)
Unrestricted	(942,283)	(597,182)	(345,101)
Total Net Position	\$ (9,199,256)	\$ (597,182)	\$ (8,602,074)

The following table provides a summary of the District's operations for the years ending June 30, 2024, and June 30, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Total Revenues	\$ -0-	\$ -0-	\$ -0-
Total Expenses	\$ 8,602,074	\$ 345,487	\$ (8,256,587)
Change in Net Position	\$ (8,602,074)	\$ (345,487)	\$ (8,256,587)
Net Position, Beginning of Year	(597,182)	(251,695)	(345,487)
Net Position, End of Year	\$ (9,199,256)	\$ (597,182)	\$ (8,602,074)

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2024

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's General Fund had a deficit fund balance as of June 30, 2024, of \$201,283, a decrease of \$181,101 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors is required to adopt an unappropriated budget annually; however, a budget was not adopted for fiscal year 2024.

CAPITAL ASSETS

Capital assets as of June 30, 2024, totaled \$14,099,679. These capital assets included water and wastewater facilities transferred to New Braunfels Utilities as well as stormwater drainage facilities. Additional information on the District's capital assets can be found in Note 6 of this report.

Capital Assets At Year-End			
	2024	2023	Change Positive (Negative)
Capital Assets Subject to Depreciation:			
Water and Wastewater Systems	\$ 9,982,421	\$	\$ 9,982,421
Stormwater Drainage System	4,309,845		4,309,845
Less Accumulated Depreciation	(192,587)		(192,587)
Total Net Capital Assets	<u>\$ 14,099,679</u>	<u>\$ -0-</u>	<u>\$ 14,099,679</u>

LONG-TERM DEBT ACTIVITY

As of June 30, 2024, the District had no long-term debt issued or outstanding. Voters of the District have authorized the issuance of \$152,500,000 in unlimited tax bonds to fund water, sewer and drainage improvements along with an additional \$81,000,000 in unlimited tax bonds to fund roads and road improvements and \$116,500,000 in unlimited tax bonds to fund park and recreation facilities.

At June 30, 2024, the District had liabilities outstanding to the developer totaling \$23,097,652, of which \$741,000 was for operating advances and \$22,356,652 pertained to construction costs.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The Board of Directors adopted a budget for fiscal year 2025 which projects no change in General Fund fund balance. Revenues, which solely consist of developer advances, and expenditures are budgeted to be \$383,527.

**COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

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 Comal County Water Improvement District No. 3A, c/o Bracewell LLP, 711 Louisiana Street, Suite 2300, Houston, Texas 77002.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2024

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 7,357	\$	\$ 7,357
Capital Assets (Net of Accumulated Depreciation)			
Water and Wastewater Systems		9,849,795	9,849,795
Drainage System		<u>4,249,884</u>	<u>4,249,884</u>
TOTAL ASSETS	<u><u>\$ 7,357</u></u>	<u><u>\$ 14,099,679</u></u>	<u><u>\$ 14,107,036</u></u>
LIABILITIES			
Accounts Payable	\$ 208,640	\$	\$ 208,640
Due to Developer		<u>23,097,652</u>	<u>23,097,652</u>
TOTAL LIABILITIES	<u><u>\$ 208,640</u></u>	<u><u>\$ 23,097,652</u></u>	<u><u>\$ 23,306,292</u></u>
FUND BALANCE (DEFICIT)			
Unassigned	<u><u>\$ (201,283)</u></u>	<u><u>\$ 201,283</u></u>	<u><u>\$ - 0 -</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 7,357</u></u>		
NET POSITION			
Net Investment in Capital Assets		\$ (8,256,973)	\$ (8,256,973)
Unrestricted		<u>(942,283)</u>	<u>(942,283)</u>
TOTAL NET POSITION		<u><u>\$ (9,199,256)</u></u>	<u><u>\$ (9,199,256)</u></u>

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

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

Total Fund Balance - Governmental Fund	\$ (201,283)
--	--------------

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 fund.	14,099,679
---	------------

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund. These liabilities at year end consist of -

Due to Developer	<u>(23,097,652)</u>
------------------	---------------------

Total Net Position - Governmental Activities	<u>\$ (9,199,256)</u>
--	-----------------------

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

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2024

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
TOTAL REVENUES	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 322,491	\$	\$ 322,491
Contracted Services	6,749		6,749
Conveyance of Assets - Roads		8,064,386	8,064,386
Depreciation		192,587	192,587
Other	<u>15,861</u>		<u>15,861</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 345,101</u>	<u>\$ 8,256,973</u>	<u>\$ 8,602,074</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ 164,000</u>	<u>\$ (164,000)</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ (181,101)	\$ 181,101	\$
CHANGE IN NET POSITION		(8,602,074)	(8,602,074)
FUND BALANCE (DEFICIT)/			
NET POSITION - JULY 1, 2023	<u>(20,182)</u>	<u>(577,000)</u>	<u>(597,182)</u>
FUND BALANCE (DEFICIT)/			
NET POSITION - JUNE 30, 2024	<u><u>\$ (201,283)</u></u>	<u><u>\$ (8,997,973)</u></u>	<u><u>\$ (9,199,256)</u></u>

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

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Net Change in Fund Balance - Governmental Fund	\$	(181,101)
--	----	-----------

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

In the Statement of Activities, the conveyance of roads to Comal County is reported as an expense, and a corresponding liability is recorded in the Statement of Net Position for road improvement costs funded by the Developer.		(8,064,386)
---	--	-------------

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(192,587)
--	--	-----------

Governmental funds report developer advances as other financing sources while advances are recorded as a liability in the Statement of Net Position.		(164,000)
--	--	-----------

Change in Net Position - Governmental Activities	\$	<u>(8,602,074)</u>
--	----	--------------------

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

THIS PAGE INTENTIONALLY LEFT BLANK

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 1. CREATION OF DISTRICT

Comal County Water Improvement District No. 3A (the “District”) was created on June 14, 2013, as Comal County Water Improvement District No. 3 (the “Original District”) and was subsequently divided on February 9, 2024 pursuant to an Order Dividing Comal County Water Improvement District No. 3 into three districts: (a) Comal County Water Improvement District No. 3A; (b) Comal County Water Improvement District No. 3B; and (c) Comal County Improvement District No. 3 Master District. The Original District was created by Act of the 83rd Texas Legislature, Regular Session, as a conservation and reclamation district and is essential to accomplish the purpose of Section 52, Article III, and Section 59, Article XVI, of the Texas Constitution and operates in accordance with Texas Water Code Chapters 49 and 51. The Board of Directors held its first meeting on February 14, 2022, and the District, after division, was confirmed at an election held on May 4, 2024.

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 “Commission”).

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not 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.

The District is a participant with other districts in regional water, sanitary sewer and drainage facilities. See Note 9 for further disclosure.

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”). 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.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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 restricted and unrestricted resources are available for use, generally it is 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 by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and 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 resources not required to be accounted for in another fund, 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 of resources 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.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Pensions

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

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets include water and wastewater facilities transferred to New Braunfels Utilities as well as stormwater drainage facilities and are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. 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, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method over 50 years.

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.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

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.

Budgeting

An annual unappropriated budget is required to be adopted for the General Fund by the District's Board of Directors. The budget should be prepared using the same method of accounting as for financial reporting. The Board of Directors did not adopt a budget for the General Fund for the current year.

Reclassifications

Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. There was no impact on net position or fund balance.

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.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3. LONG-TERM BOND DEBT

The District has issued no bonds and had no bonds outstanding as of June 30, 2024.

As of June 30, 2024, the District had \$152,500,000 of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, sewer and drainage. In addition, the District had \$81,000,000 of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing road and road improvements and \$116,500,000 of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing park and recreation facilities.

The District also has \$152,500,000, \$81,000,000 and \$116,500,000 of bonds authorized for refunding purposes of the unlimited tax bonds, the unlimited tax road bonds and the unlimited tax park and recreation bonds, respectively.

NOTE 4. 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 \$7,357 and the cash balance was \$13,542. The District was not exposed to custodial credit risk at year-end.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4. 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 June 30, 2024, the District had no investments.

NOTE 5. MAINTENANCE AND CONTRACT TAXES

On May 4, 2024, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.20 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used to pay expenditures of operating the District. 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 are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter. To date, the District has not levied a maintenance tax.

On May 4, 2024, the voters of the District approved the levy and collection of a contract tax in an unlimited amount sufficient to make payments required under the Master District Contract for operation and maintenance of the regional water, wastewater and drainage systems (see further discussion in Note 9). To date, the District has not levied a contract tax.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6. CAPITAL ASSETS

Capital asset activity for the current fiscal year is summarized in the following table.

	July 1, 2023	Increases	Decreases	June 30, 2024
Capital Assets Subject to Depreciation				
Water and Wastewater Systems	\$	\$ 9,982,421	\$	\$ 9,982,421
Stormwater Drainage System		4,309,845		4,309,845
Total Capital Assets Subject to Depreciation	\$ - 0 -	\$ 14,292,266	\$ - 0 -	14,292,266
Accumulated Depreciation				
Water and Wastewater System	\$	\$ 132,626	\$	\$ 132,626
Stormwater Drainage System		59,961		59,961
Total Accumulated Depreciation	\$ - 0 -	\$ 192,587	\$ - 0 -	\$ 192,587
Total Capital Assets, Net of Accumulated Depreciation	\$ - 0 -	\$ 14,099,679	\$ - 0 -	\$ 14,099,679

Roads and road improvements are conveyed to Comal County for ownership and maintenance. At June 30, 2024, road and road improvements conveyed to the County totaled \$8,064,386.

NOTE 7. COMMITMENTS AND CONTINGENCIES

The Developer of the land within the District has incurred costs related to the construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the Developer by the District from proceeds of future District bond issues or from operations, subject to approval by the Texas Commission on Environmental Quality.

On May 4, 2024, a bond election held within the District approved authorization to issue \$152,500,000 of bonds to fund costs of proposed water, sewer and drainage facilities. Additionally, \$81,000,000 of bonds to fund costs for road and road improvements and \$116,500,000 of bonds to fund costs of park and recreation facilities were approved by voters of the District. Voters of the District also approved \$350,000,000 in refunding bonds. The following is a summary of the due to developer activity for the fiscal year ended June 30, 2024:

Due to Developer, July 1, 2023 (as restated)	\$ 577,000
Add: Current Year Additions	22,520,652
Due to Developer, June 30, 2024	<u>\$ 23,097,652</u>

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8. 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 reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9. MASTER DISTRICT CONTRACT

The District is part of the master-planned community of “Mayfair”. Mayfair is comprised of the District, Comal County Water Improvement District No. 3B and Comal County Improvement District No. 3 Master District (the “Master District”) (collectively, the “Participants”). The District entered into a Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities and Other Facilities, which was originally executed on February 9, 2024, between the District, Comal County Water Improvement District No. 3B and the Master District (the “Master District Contract”) in order to encourage regionalization and to avoid duplication of lines and facilities within the master-planned community.

Pursuant to the Master District Contract, the Master District will operate and maintain certain regional water, sanitary sewer, drainage and road facilities and capacities (the “Regional Facilities”), and each Participant will pay its pro rata share of such costs. The Master District will establish an Operation and Maintenance reserve, funded by the Participants, and will bill the Participants monthly for their pro rata share of operation and maintenance costs. The District’s share of the monthly charges will be determined by multiplying the total number of actual Equivalent Single Family Residential Connections (“ESFCs”) within the District by the monthly unit costs per ESFC in the Master District budget. The Master District did not incur any expenditures or bill the Participants for the year ended June 30, 2024.

NOTE 10. UTILITY AGREEMENT WITH THE CITY OF NEW BRAUNFELS

Customers of the District receive water and wastewater service from New Braunfels Utilities (“NBU”), a municipally owned utility created by the City of New Braunfels (the “City”) with exclusive management and control of the water and sewer systems serving the District, as standard NBU customers pursuant to a Utility Agreement, dated February 8, 2022, between the District, the City and NBU (the “Utility Agreement”). As a condition of such service, the Utility Agreement obligates the District to acquire, construct, and extend water and sanitary sewer facilities (the “System”) to serve land within the District and, when completed in accordance with approved plans and specifications, to convey title to the System to NBU. NBU then operates and maintains the System and is responsible for establishing water and sewer rates and billing and collecting for such services.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 10. UTILITY AGREEMENT WITH THE CITY OF NEW BRAUNFELS
(Continued)

The components of the System which serve only the District (the “Internal Facilities”) are acquired, constructed and extended by the District and the components of the System that serve the Service Area, are acquired, constructed and extended by the Master District.

In accordance with the Utility Agreement, \$9,982,421 of water and wastewater facilities have been conveyed to NBU as of June 30, 2024. Pursuant to GASB Statement No. 94, these conveyed water and wastewater facilities are considered capital assets of the District and depreciated over their estimated useful lives (see Note 6).

NOTE 11. FUND DEFICIT

The General Fund had a deficit balance of \$201,283 at June 30, 2024. This deficit represents cumulative expenditures that exceeded revenues due to the District being in the early stage of development. Currently, the developer is funding operations, but management believes as development continues, the District will become self-funded.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JUNE 30, 2024

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2024

1. SERVICES PROVIDED BY THE DISTRICT:

☐ Retail Water	☐ Wholesale Water	☐ Drainage
☐ Retail Sewer	☐ Wholesale Wastewater	☐ Irrigation
☐ Parks/Recreation	☐ Fire Protection	☐ Security
☐ Solid Waste/Garbage	☐ Flood Control	☒ Roads
☐ Participates in joint venture, regional system and/or		
☒ wastewater service (other than emergency interconnect)		
Other (specify): <u>The District does not provide water and wastewater services.</u>		
☒ Retail water and wastewater service is provided by the City of New Braunfels.		

2. RETAIL SERVICE PROVIDERS: Not applicable

3. TOTAL WATER CONSUMPTION: Not applicable

4. STANDBY FEES: Not applicable

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Comal County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ in which District is located.

City of New Braunfels, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2024

PROFESSIONAL FEES:

Legal	\$ 297,349
Engineering	20,642
Auditing	4,500
TOTAL PROFESSIONAL FEES	<u>\$ 322,491</u>

CONTRACTED SERVICES:

Bookkeeping	<u>\$ 6,749</u>
-------------	-----------------

ADMINISTRATIVE EXPENDITURES:

Director Fees, Including Payroll Taxes	\$ 5,488
Election Costs	3,530
Insurance	5,879
Legal Notices	944
Other	20
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 15,861</u>
TOTAL EXPENDITURES	<u>\$ 345,101</u>

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - THREE YEARS

	Amounts		
	2024	2023	2022 *
EXPENDITURES			
Professional Fees	\$ 322,491	\$ 325,198	\$ 238,886
Contracted Services	6,749	5,160	
Other	<u>15,861</u>	<u>15,129</u>	<u>12,809</u>
TOTAL EXPENDITURES	<u>\$ 345,101</u>	<u>\$ 345,487</u>	<u>\$ 251,695</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (345,101)</u>	<u>\$ (345,487)</u>	<u>\$ (251,695)</u>
OTHER FINANCING SOURCES			
Developer Advances	<u>\$ 164,000</u>	<u>\$ 394,000</u>	<u>\$ 183,000</u>
NET CHANGE IN FUND BALANCE	\$ (181,101)	\$ 48,513	\$ (68,695)
BEGINNING FUND BALANCE (DEFICIT)	<u>(20,182)</u>	<u>(68,695)</u>	<u></u>
ENDING FUND BALANCE (DEFICIT)	<u>\$ (201,283)</u>	<u>\$ (20,182)</u>	<u>\$ (68,695)</u>

* - Unaudited

See accompanying independent auditor's report.

Percentage of Total Revenues			
2024		2023	2022 *
	%		%
<u>N/A</u>	%	<u>N/A</u>	%
<u>N/A</u>	%	<u>N/A</u>	%

See accompanying independent auditor's report.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2024

District Mailing Address - Comal County Water Improvement District No. 3A
c/o Bracewell LLP
711 Louisiana Street, Suite 2300
Houston, Texas 77002

District Telephone Number - (713) 223-2300

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>June 30, 2024</u>	Expense Reimbursements for the year ended <u>June 30, 2024</u>	<u>Title</u>
Travor Tast	05/24 05/28 (Elected)	\$ 592	\$ -0-	President
Gerald Cook	05/24 05/26 (Elected)	\$ 1,034	\$ -0-	Vice President
Tate Johnson	05/24 05/28 (Elected)	\$ 1,255	\$ -0-	Secretary
Cesar Alvarado	05/24 05/28 (Elected)	\$ 813	\$ -0-	Assistant Secretary
Tom Jones	05/24 05/26 (Elected)	\$ 1,405	\$ -0-	Assistant Secretary

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: May 10, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 3A
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2024

	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2024</u>	<u>Title</u>
Consultants:			
Bracewell LLP	02/14//22	\$ 297,349	General Counsel
McCall Gibson Swedlund Barfoot PLLC	05/10/24	\$ -0-	Auditor
L&S District Services, LLC	02/14/22	\$ 6,749	Bookkeeper
Pape-Dawson Engineers, Inc.	02/14/22	\$ 20,642	Engineer
Robert W. Baird & Co.	02/14/22	\$ -0-	Financial Advisor
Debra R. Loggins	02/14/22	\$ -0-	Investment Officer
Mark C. Eyring, CPA, PLLC	02/14/22	\$ 4,500	Prior Auditor

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN