

**GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 45
(Galveston County, Texas)**

**PRELIMINARY OFFICIAL STATEMENT
DATED: SEPTEMBER 6, 2022**

**\$6,500,000
UNLIMITED TAX BONDS
SERIES 2022**

**BIDS TO BE SUBMITTED: 9:30 A.M., CENTRAL TIME
TUESDAY, OCTOBER 4, 2022**

**BONDS TO BE AWARDED: 12:00 P.M., CENTRAL TIME
TUESDAY, OCTOBER 4, 2022**



Financial Advisor

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 6, 2022

This Preliminary Official Statement is subject to completion and amendment and is intended for the solicitation of initial bids to purchase the Bonds (defined herein). Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser (defined herein).

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2022. SEE "TAX MATTERS" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE - Book-Entry-Only

Moody's Investors Service (Underlying)..... "___"

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 45
(A Political Subdivision of the State of Texas, located within Galveston County)

\$6,500,000
UNLIMITED TAX BONDS
SERIES 2022

Dated: November 1, 2022

Interest Accrues From: Date of Delivery

Due: September 1, as shown below

The \$6,500,000 Galveston County Municipal Utility District No. 45 Unlimited Tax Bonds, Series 2022 (the "Bonds") are obligations of Galveston County Municipal Utility District No. 45 (the "District") and are not obligations of the State of Texas; the City of League City, Texas; Galveston County, Texas; or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; the City of League City, Texas; Galveston County, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association (Amegy Bank Division), Houston, Texas, (the "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (on or about November 3, 2022) (the "Date of Delivery"), and is payable March 1, 2023, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to registered owners ("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 "Record Date"). The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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

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

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Galveston County, Texas, the City of League City, Texas, or any entity other than the District. Investment in the Bonds is subject to special investment considerations as described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the initial purchaser of the Bonds (the "Initial Purchaser") are subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about November 3, 2022.

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

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

\$6,500,000 UNLIMITED TAX BONDS, SERIES 2022

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. ____ (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. ____ (b)
2024	\$200,000	____%	____%	____	2035 (c)	\$290,000	____%	____%	____
2025	210,000	____%	____%	____	2036 (c)	300,000	____%	____%	____
2026	220,000	____%	____%	____	2037 (c)	310,000	____%	____%	____
2027	225,000	____%	____%	____	2038 (c)	320,000	____%	____%	____
2028	230,000	____%	____%	____	2039 (c)	335,000	____%	____%	____
2029	240,000	____%	____%	____	2040 (c)	350,000	____%	____%	____
2030 (c)	245,000	____%	____%	____	2041 (c)	360,000	____%	____%	____
2031 (c)	255,000	____%	____%	____	2042 (c)	375,000	____%	____%	____
2032 (c)	265,000	____%	____%	____	2043 (c)	390,000	____%	____%	____
2033 (c)	275,000	____%	____%	____	2044 (c)	405,000	____%	____%	____
2034 (c)	280,000	____%	____%	____	2045 (c)	420,000	____%	____%	____

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers will be assigned to 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 owners of the Bonds.
- (c) Bonds maturing on September 1, 2030, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on November 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS - Redemption of the Bonds."

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities Exchange Commission ("SEC"), as amended, and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the Issuer as of its date except for the omission of no more than information permitted by SEC Rule 15c2-12.

This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds shall constitute a "final official statement" of the District with respect to the Bonds, as such term is defined in SEC Rule 15c2-12.

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

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

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

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

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

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

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INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Galveston County Municipal Utility District No. 45 (the "District") of its \$6,500,000 Unlimited Tax Bonds, Series 2022 (the "Bonds").

The Bonds are issued pursuant to a resolution approving the sale of the Bonds (the "Bond Resolution"), adopted by the Board of Directors of the District on the date of the sale of the Bonds; pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; an election held in the District, and passed by a majority of the participating voters; and an order of the Texas Commission on Environmental Quality (the "TCEQ").

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports, and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

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

Prices and Marketability

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

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed 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 THIS OFFERING, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, 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.

MUNICIPAL BOND RATING

The District has made applications for commitments for municipal bond insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premiums charged by the insurers, and fees charged by rating companies, other than Moody's Investors Service, Inc. ("Moody's"), will be at the option and expense of the Initial Purchaser.

MUNICIPAL BOND INSURANCE

Moody's has assigned an underlying credit rating of " ____ " to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. 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 Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The District will pay the rating fees charged by Moody's.

If the Initial Purchaser chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including ratings by Moody's, may at the election of the Initial Purchaser be assigned the Bonds based upon the understanding that upon delivery of the Bonds guaranty insurance policies insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurers. The District will pay the cost of the Moody's rating associated with the guaranty insurance policies issued relating to the Bonds if insurance is elected to be purchased by the Initial Purchaser.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- The Issuer Galveston County Municipal Utility District No. 45 (the "District"), a political subdivision of the State of Texas, is located in Galveston County, Texas. See "THE DISTRICT."
- The Issue The \$6,500,000 Unlimited Tax Bonds, Series 2022 (the "Bonds") are dated November 1, 2022 (the "Dated Dated"), and interest accrues from the initial date of delivery (on or about November 3, 2022) (the "Date of Delivery"), at the rates set forth on the inside cover page hereof, and is payable March 1, 2023, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds mature serially on September 1, in each year 2024 through 2045, both inclusive, in the principal amounts set forth on the inside cover page, unless the winning bidder for the Bonds elects to combine one or more maturities into term bonds. Bonds maturing on or after September 1, 2030, are subject to redemption, in whole or from time to time in part, on November 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS."
- Book-Entry-Only System..... The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association (Ameegy Bank Division) (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS - Book-Entry-Only System."
- Source of Payment..... The Bonds are payable from continuing, direct annual ad valorem taxes, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of League City, Texas, Galveston County, Texas, the State of Texas, or any entity other than the District. See "THE BONDS - Source of Payment."
- Principal Use of Proceeds Proceeds of the sale of the Bonds will be used by the District to finance (i) water, wastewater, and drainage for Coastal Point, Section 4; (ii) clearing and grubbing for Coastal Point, Phase 2; (iii) rough cut detention and drainage facilities for Coastal Point, Phase 2; (iv) detention basin land acquisitions; (v) engineering fees; and (vi) costs of issuance fees. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- Qualified Tax-Exempt Obligations..... The District will designate the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS - Qualified Tax-Exempt Obligations."
- Municipal Bond Insurance and Rating..... An application has been made for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, other than Moody's Investors Service, Inc. ("Moody's"), will be at the option and expense of the Initial Purchaser, as applicable. Moody's has assigned an underlying rating of "____" to the Bonds. See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."
- Payment Record The District has never defaulted on the payment of principal or interest on its previously issued bonds.

Authority for Issuance.....	The Bonds constitute the sixth series of unlimited tax bonds issued by the District from the \$94,000,000 principal amount of unlimited tax bonds authorized by District’s voters for the purpose of purchasing, constructing, operating and maintaining a water, wastewater and a storm drainage system (the “System”). The District has issued one series of unlimited tax park bonds issued by the District from the \$6,500,000 principal amount of unlimited tax park bonds authorized by the District’s voters for the purpose of constructing and maintaining parks and recreational facilities (the “Park Facilities”) within the District. The District has also issued two series of unlimited tax road bonds from the \$4,750,000 principal amount of unlimited tax road and refunding bonds authorized by the District’s voters for the purpose of constructing road facilities (the “Road System”). Following the issuance of the Bonds, \$45,550,000 principal amount of unlimited tax bonds, \$3,560,000 principal amount of unlimited tax park bonds, no principal amount of unlimited tax road bonds and \$61,000,000 principal amount of unlimited tax refunding bonds will remain authorized and unissued. The Bonds are issued pursuant to a resolution approving the sale of the Bonds (the “Bond Resolution”), adopted by the Board of Directors of the District on the date of the sale of the Bonds; pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; an election held in the District, and passed by a majority of the participating voters; and an order of the Texas Commission on Environmental Quality (“TCEQ”). See “THE BONDS – Authority for Issuance.”
Outstanding Bonds.....	The District has previously issued eight series of unlimited tax bonds for the System, the Park System, and the Road System. As of the Date of Delivery, \$45,300,000 principal amount remains outstanding (the “Outstanding Bonds”), of such previously issued bonds. See “THE BONDS – Outstanding Bonds.”
Legal Opinion.....	Allen Boone Humphries Robinson LLP, Houston, Texas. See “LEGAL MATTERS.”
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.
Disclosure Counsel.....	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.

THE DISTRICT

Description.....	The District was created by the TCEQ, on October 21, 2004, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. At the time of the creation, the District encompassed 593.48 acres. The District has since annexed 256.382 acres on April 4, 2006, 65.44 acres on November 16, 2006, and 5.04 acres on September 4, 2018. Currently, the District encompasses 920.342 acres. Following the additional annexation, the total acreage of the District will be approximately 965 acres. The District is located entirely within Galveston County, Texas, approximately 25 miles southeast of the central business district of the City of Houston, Texas. The District is located entirely within the corporate limits of the City of League City, Texas. See “THE DISTRICT – “Authority” and “Description.”
Development within the District.....	Approximately 430.89 acres (1,203 lots) within the District have been developed into the single-family subdivisions of Hidden Lakes, Sections 1, 2, 3 (Phases 1 and 2), 4 (Phases 1 and 2), 5 (Phases 1 and 2), 6 (Phase 1), 7 (Phases 1 and 2), 8 (Phases 1 and 2), 9 and 10 and Coastal Point, Section 1-4. Approximately 97.20 acres in the District have been developed as commercial reserves that include a 98,000-square-foot HEB grocery store, a Walgreen’s pharmacy, a Wendy’s restaurant, a Verizon store, an Ocean Car Wash, a Sonic Drive-In, a dental office, and three separate retail strip centers occupied by Floors for Living, Texas Bay Credit Union, T-Mobile, Mod Pizza, Jersey Mike’s, Super Cuts, and Mattress One, among other businesses. A second dental office, a medical office, and a Chick-fil-A are currently under construction. In addition, the Clear Falls High School, Bayside Intermediate School and Mossman Elementary School campuses occupy approximately 132.1 acres in the District.

As of September 1, 2022, the District was comprised of 1,060 completed homes, 63 homes under construction and approximately 80 vacant developed lots. The remaining land within the District consists of 57.5 undeveloped but developable acres and approximately 141.2 undevelopable acres consisting of easements, rights of way and greenbelts. See “PRINCIPAL LANDOWNERS/DEVELOPERS,” “DEVELOPMENT OF THE DISTRICT,” and “THE DISTRICT.”

Developers The principal developers in the District are Hidden Lakes Development Partners LP, League City 210 Development Partners LP, and Sam Boyd d/b/a Sam Boyd Development. See “PRINCIPAL LANDOWNERS /DEVELOPERS,” and “DEVELOPMENT OF THE DISTRICT.”

Homebuilders Within the District Homebuilders active within the District include Gehan Homes, Greeneco Builders, Empire Communities, Plantation Homes, Coventry Homes, D.R. Horton and Ashton Woods Homes. Prices of new homes being constructed within the District range from \$350,000 to \$600,000 and range in size from 1,700 to 3,900 square feet. See “PRINCIPAL LANDOWNERS/DEVELOPERS—Homebuilders Within the District.”

Infectious Disease Outlook – COVID-19

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

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

With the easing or removal of COVID-19 associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

INVESTMENT CONSIDERATIONS

THE DISTRICT'S TAXES ARE LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON.

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2022 Certified Taxable Assessed Valuation.....	\$ 493,638,021	(a)
Estimated Taxable Valuation as of July 1, 2022.....	\$ 564,332,231	(b)
Direct Debt:		
The Outstanding Bonds.....	\$ 45,300,000	
The Bonds	<u>\$ 6,500,000</u>	
Total.....	\$ 51,800,000	
Estimated Overlapping Debt.....	<u>\$ 13,693,501</u>	(c)
Total Direct and Estimated Overlapping Debt.....	<u>\$ 65,493,501</u>	
Direct Debt Ratios:		
As a percentage of 2022 Certified Taxable Assessed Valuation	10.49 %	
As a percentage of the Estimated Taxable Valuation as of July 1, 2022	9.18 %	
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2022 Certified Taxable Assessed Valuation	13.27 %	
As a percentage of the Estimated Taxable Valuation as of July 1, 2022	11.61 %	
Park and System Debt Service Fund Balance (as of September 6, 2022).....	\$ _____	(d)
Road System Debt Service Fund Balance (as of September 6, 2022).....	\$ _____	(e)
General Fund Balance (as of September 6, 2022)	\$ _____	
Capital Project Fund Balance (as of September 6, 2022)	\$ _____	
2022 Tax Rate per \$100 of Assessed Taxable Valuation		
Park and System Debt Service.....	\$0.63	
Road Debt Service	\$0.05	
Maintenance	<u>\$0.12</u>	
Total	\$0.80	(f)
Estimated Average Annual Debt Service Requirements		
on the Bonds and the Outstanding Bonds (2023-2045)	\$ 3,296,328	
Estimated Maximum Annual Debt Service Requirements		
on the Bonds and the Outstanding Bonds (2045).....	\$ 3,324,031	
Combined Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required		
to Pay Estimated Average Annual Debt Service Requirements on the Bonds and the		
Outstanding Bonds (2023-2045) at 95% Tax Collections		
Based Upon 2022 Certified Taxable Assessed Valuation (\$493,638,021)	\$0.71	
Based Upon the Estimated Taxable Valuation as of July 1, 2022 (\$564,332,231)	\$0.62	
Combined Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required		
to Pay Estimated Maximum Annual Debt Service Requirement on the Bonds and the		
Outstanding Bonds (2045) at 95% Tax Collections		
Based Upon 2022 Certified Taxable Assessed Valuation (\$493,638,021)	\$0.71	
Based Upon the Estimated Taxable Valuation as of July 1, 2022 (\$564,332,231)	\$0.63	
Number of Single-Family Homes (including 63 homes in various		
stages of construction) as of September 1, 2022	1,123	

-
- (a) Provided by the Galveston Central Appraisal District Appraisal District (the "Appraisal District"), such value represents the Appraisal District's certified valuation of all taxable property within the District as of January 1, 2022. Such value includes \$11,975,466 amount of assessed valuation under review by the Galveston Central Appraisal Review Board (the "Appraisal Review Board"); which represents 80% of such value under review. No taxes will be levied on this certified estimate of taxable value, which is subject to review and downward adjustment prior to certification. After the value is certified by the ARB, taxes will be levied on the certified value. It is anticipated that the Appraisal District will provide the certified taxable assessed valuation as of January 1, 2022, by the end of September 2022. See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of July 1, 2022, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2022, through July 1, 2022. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
 - (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Park and System Debt Service Fund. Funds in the Park and System Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for water, sewer and drainage and parks purposes (e.g., the Bonds) and are not available to pay debt service on bonds issued by the District for road purposes.
 - (e) Funds in the Road Debt Service Fund are not available to pay debt service on bonds issued by the District for water, sewer and drainage and park purposes, such as the Bonds.
 - (f) The District is authorized to levy separate debt service taxes for its road debt and its water, sewer and park debt, both of which are unlimited as to rate or amount. See "THE BONDS – Authority for Issuance."

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 45

\$6,500,000 UNLIMITED TAX BONDS SERIES 2022

INTRODUCTION

This Official Statement of Galveston County Municipal Utility District No. 45 (the “District”) is provided to furnish information with respect to the issuance by the District of its \$6,500,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”). The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) an election held within the District; (iii) a resolution adopted by the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds (the “Bond Resolution”), and (iv) an Order of the Texas Commission on Environmental Quality (the “TCEQ”) for the Bonds.

There follow in this Official Statement descriptions of the Bonds, the Developers (hereinafter defined), the Bond Resolution and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, upon payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

THE BONDS

General

The Bonds are dated November 1, 2022 (the “Dated Date”). The Bonds will accrue interest from the initial date of delivery (on or about November 3, 2022) (the “Date of Delivery”), with interest payable March 1, 2023, and each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds are fully-registered serial bonds maturing on September 1 of the years shown under “PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the “Registered Owners”) at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association (Amegy Bank Division), Houston, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar 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 the Interest Payment Date (the “Record Date”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

This section describes how ownership of the Bonds are 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 has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and

non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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 Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the District or the Paying Agent/Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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 Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

Successor Paying Agent/Registrar

Provision is made in the Bond Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar’s records to the successor paying agent/registrar, and the successor paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor paying agent/registrar selected by the District shall

be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the paying agent/registrars for the Bonds.

Registration, Transfer and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption of the Bonds

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

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

The Bonds constitute the sixth series of unlimited tax bonds issued by the District from the \$94,000,000 principal amount of unlimited tax bonds authorized by District's voters for the purpose of purchasing, constructing, operating and maintaining a water, wastewater and a storm drainage system (the "System"). The District has issued one series of unlimited tax park bonds issued by the District from the \$6,500,000 principal amount of unlimited tax park bonds authorized by the District's voters for the purpose of constructing and maintaining parks and recreational facilities (the "Park Facilities") within the District. The District has also issued two series of unlimited tax road bonds from the \$4,750,000 principal amount of unlimited tax road and refunding bonds authorized by the District's voters for the purpose of constructing road facilities (the "Road System"). Following the issuance of the Bonds, \$45,550,000 principal amount of unlimited tax bonds, \$3,560,000 principal amount of unlimited tax park bonds, no principal amount of unlimited tax road bonds and \$61,000,000 principal amount of unlimited tax refunding bonds will remain authorized and unissued. The Bonds are issued pursuant to an order of the TCEQ, the Bond Resolution authorizing the Bonds, Article XVI, Section 50 of the Texas Constitution, and an election held within the District.

Source of Payment

The Bonds are payable from the proceeds of continuing, direct ad valorem taxes, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy sufficient taxes to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of

collections, Paying Agent/Registrar fees, and fees of the Appraisal District (defined herein). Tax proceeds, after deduction for collection costs, will be placed in the Park and System Debt Service Fund, as applicable, and used solely to pay principal of and interest on the applicable Bonds, any additional bonds payable from taxes which may be issued for the park purposes, water, sewer and drainage purposes and road purposes, and fees of the Paying Agent/Registrar. Bonds for water, sewer and drainage purposes are supported by the proceeds of an unlimited tax levied annually by the District. Amounts on deposit in the Park and System Debt Service Fund may not be used to pay debt service on the bonds issued for the purpose of constructing road facilities (the "Road Bonds") or any other bonds that the District may hereafter issue for road purposes. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on the bonds issued for the park facilities (the "Park Bonds") or Bonds or any other bonds that the District may hereafter issue for park purposes or water, sewer and drainage purposes.

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

Outstanding Bonds

The District has previously eight seven series of unlimited tax bonds for the System, the Park System, and the Road System; \$9,000,000 Unlimited Tax Bonds, Series 2015; \$9,975,000 Unlimited Tax Bonds, Series 2016; \$2,975,000 Unlimited Tax Road Bonds, Series 2017; \$6,275,000 Unlimited Tax Bonds, Series 2018; \$2,940,000 Unlimited Tax Park Bonds, Series 2019; \$1,775,000 Unlimited Tax Road Bonds, Series 2019; \$6,450,000 Unlimited Tax Bonds, Series 2019; and \$10,250,000 Unlimited Tax Bonds, Series 2020. As the Date of Delivery, \$45,300,000 principal amount remains outstanding (the "Outstanding Bonds"), of such previously issued bonds.

Issuance of Additional Debt

The District may issue additional bonds with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created. On November 6, 2006, the District's voters authorized the issuance of \$94,000,000 unlimited tax bonds for the System and can authorize additional amounts. On November 6, 2006, the District's voters also authorized \$61,000,000 unlimited tax refunding bonds, \$4,750,000 unlimited tax bonds for road facilities, and \$6,500,000 unlimited tax park and recreational bonds for the Park Facilities. The Bonds constitute the sixth series of unlimited tax bonds issued by the District from the \$94,000,000 principal amount of unlimited tax bonds authorized by District's voters for the purpose of the System.

Following the issuance of the Bonds, \$45,550,000 principal amount of unlimited tax bonds, \$3,560,000 principal amount of unlimited tax park bonds, no principal amount of unlimited tax road bonds and \$61,000,000 principal amount of unlimited tax refunding bonds will remain authorized and unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the TCEQ). Following the issuance of the Bonds, the District will owe Developers approximately \$_____ for existing water, wastewater and drainage facilities, park facilities and road facilities located within the District.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. The Board has not considered adoption of a fire plan or calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

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.

Consolidation and Dissolution

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.

The City of League City (the "City") has the right to abolish and dissolve the District and to acquire the District's assets and assume the District's obligations in accordance with state law, subject, however to the terms of the Utility Service Agreement between the District and the City. See "UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND CITY OF LEAGUE CITY." If any of the Bonds are outstanding at the time of dissolution, the payment of such Bonds becomes the obligation of the City. Dissolution of the District is a policy matter for the City. The District can make no representation regarding the likelihood that the City will dissolve the District.

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.

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.

Registered Owners' Remedies

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

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

The Bonds

Proceeds of the sale of the Bonds will be used by the District to finance (i) Water, wastewater, and drainage for Coastal Point, Sections 1-3; (ii) Clearing and grubbing for Phase 1 of The Lakes of Quail Point; (iii) Rough cut detention and drainage facilities for The Lakes of Quail Point; (iv) Lift station and force main to serve Coastal Point; (v) Engineering and surveying costs; (vi) Water and sewer impact fees for Coastal Point, Sections 1-3, and Hidden lakes; and (vii) pay for cost of issuance fees. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor (each hereinafter defined). 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.

	District's Share
CONSTRUCTION COSTS	
A. Developer Contribution Items	
1. Coastal Point, Sections 1 and 2 – W, WW, D	\$ 1,576,788
2. Coastal Point, Section 3 – W, WW, D	853,745
3. Clearing and Grubbing Phase 1 – The Lakes of Quail Point	216,652
4. Rough Cut Detention at The Lakes of Quail Point	72,200
5. Drainage Facilities at The Lakes of Quail Point	682,863
6. Lift Station to serve Coastal Point	485,712
7. Force main to serve Coastal Point	699,603
8. Engineering and Surveying Costs (Items No. 1-7)	<u>848,052</u>
Total Developer Contribution Items	<u>\$ 5,435,615</u>
Total Developer Contribution Items	
B. District Items	
1. Water and Sewer Impact Fees – Hidden Lakes	\$ 1,519,062
2. Water and Sewer Impact Fees – Coast Point, Sections 1, 2, and 3	<u>1,492,500</u>
Total District Items	<u>\$ 3,011,562</u>
TOTAL CONSTRUCTION COSTS	\$ 8,447,177
NONCONSTRUCTION COSTS	
A. Legal Fees	\$ 245,000
B. Fiscal Agent Fees	205,000
C. Developer Interest	856,105
D. Bond Discount (3%)	307,500
E. Bond Issuance Expenses	76,257
F. Bond Application Report	77,086
G. Attorney General Fee (0.1% or \$9,500 maximum)	10,250
H. TCEQ Bond Issuance Fee (0.25%)	<u>25,625</u>
TOTAL NONCONSTRUCTION COSTS	\$ 1,802,823
TOTAL BOND ISSUE REQUIREMENT	<u>\$ 6,500,000</u>

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

THE DISTRICT

Authority

The District was created by order of the TCEQ, dated October 21, 2004, and by a confirmation election held within the District on November 7, 2006, and operates under Chapters 49 and 54 of the Texas Water Code, as amended, and other general laws of the State of Texas applicable to municipal utility districts.

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

The District also is authorized to construct, develop and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes, and, under certain limited circumstances to construct roads.

In addition, the District is authorized, upon TCEQ and voter approval, to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District.

Description

At the time of the creation, the District encompassed 593.48 acres. The District has since annexed 256.382 acres on April 4, 2006, 65.44 acres on November 16, 2006, and 5.04 acres on September 4, 2018. Currently, the District encompasses 920.342 acres. Following the annexation, the total acreage of the District will be approximately 965 acres. The District is located entirely within Galveston County, Texas, approximately 25 miles southeast of the central business district of the City of Houston, Texas. The District is located entirely within the corporate limits of the City of League City, Texas.

Management of the District

The District is governed by the Board consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own property in the District. The directors serve four-year staggered 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>
Don Church	President	2026
Maurice Heimlich	Vice President	2024
Steve Kanuch	Assistant Vice President	2026
Russell Carter	Secretary	2026
Marc D. Young	Assistant Secretary	2024

Investment Policy

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

Consultants

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

Tax Assessor/Collector

The tax assessor/collector for the District is Thomas W. Lee of Assessments of the Southwest, Inc.

Bookkeeper

The District's bookkeeper is Myrtle Cruz, Inc.

Utility System Operator

The City of League City, pursuant to the Utility Agreement (hereinafter defined) by and between the District and the City, operates the District's water and sewer system. See "UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY."

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audited financial statements are filed with the TCEQ. The District's financial statements for the fiscal year ended June 30, 2021, were audited by McGrath & Co., PLLC. See "APPENDIX A." The District has engaged McGrath & Co., PLLC to audit its financial statements for the fiscal year ended June 30, 2022.

Engineer

The District's Engineer is Dannenbaum Engineering Corp. (the "Engineer"). Such firm acts as engineer for many residential and commercial developments in Texas.

Bond Counsel

The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid to Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

Financial Advisor

Robert W. Baird & Co. Incorporated is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Disclosure Counsel

Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. The fees to be paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

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DEVELOPMENT OF THE DISTRICT

Approximately 430.89 acres (1,203 lots) within the District have been developed into the single-family subdivisions of Hidden Lakes, Sections 1, 2, 3 (Phases 1 and 2), 4 (Phases 1 and 2), 5 (Phases 1 and 2), 6 (Phase 1), 7 (Phases 1 and 2), 8 (Phases 1 and 2), 9 and 10 and Coastal Point, Section 1-4. Approximately 97.20 acres in the District have been developed as commercial reserves that include a 98,000-square-foot HEB grocery store, a Walgreen’s pharmacy, a Wendy’s restaurant, a Verizon store, an Ocean Car Wash, a Sonic Drive-In, a dental office, and three separate retail strip centers occupied by Floors for Living, Texas Bay Credit Union, T-Mobile, Mod Pizza, Jersey Mike’s, Super Cuts, and Mattress One, among other businesses. A second dental office, a medical office, and a Chick-fil-A are currently under construction. In addition, the Clear Falls High School, Bayside Intermediate School and Mossman Elementary School campuses occupy approximately 132.1 acres in the District.

As of September 1, 2022, the District was comprised of 1,060 completed homes, 63 homes under construction and approximately 80 vacant developed lots. The remaining land within the District consists of 57.5 undeveloped but developable acres and approximately 141.2 undevelopable acres consisting of easements, rights of way and greenbelts.

Status of Development within the District

The following is a status of construction of single-family housing within the District as of September 1, 2022:

<u>Development Area</u>	<u>Acreage</u>	<u>Platted Lots</u>	<u>Completed Homes</u>	<u>Homes Under Construction</u>	<u>Remaining Vacant Developed Lots</u>
Hidden Lakes,					
Section 1	28.29	98	98	0	0
Section 2	40.90	116	116	0	0
Section 3-1	16.71	74	74	0	0
Section 3-2	13.03	62	62	0	0
Section 4-1	35.43	45	45	0	0
Section 4-2	11.72	42	42	0	0
Section 5-1	20.04	69	69	0	0
Section 5-2	14.60	62	62	0	0
Section 6-1	12.94	42	42	0	0
Section 7-1	39.34	57	57	0	0
Section 7-2	20.87	30	30	0	0
Section 8-1	19.75	43	43	0	0
Section 8-2	8.77	24	24	0	0
Section 9	13.51	46	46	0	0
Section 10	29.79	59	59	0	0
Coastal Point,					
Section 1	33.91	68	65	0	3
Section 2	13.06	28	28	0	0
Section 3	30.34	103	98	0	5
Section 4	32.72	135	0	63	72
Total	430.89	1,203	1,060	63	80
Commercial Acreage	97.20				
School Acreage	132.09				
Undeveloped but Developable Acreage	57.5				
Undevelopable Acreage	<u>141.2</u>				
Total	<u>858.88</u>				

PRINCIPAL LANDOWNERS/DEVELOPERS

Role of the Developers

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 subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in a utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a 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 a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property. The entities described below are defined collectively as the "Developers."

Principal Landowners/Developers

HIDDEN LAKES DEVELOPMENT PARTNERS LP

Hidden Lakes Development Partners LP, a Delaware limited partnership ("Hidden Lakes"), whose general partner is Hidden Lakes Development (Houston GP) Corp., an Ontario corporation, purchased approximately 281 acres from Sam Boyd and League City Investors. All planned lots within Hidden Lakes have been developed with water, sewer and drainage facilities.

LEAGUE CITY 210 DEVELOPMENT PARTNERS LP

League City Development Partners LP, a Delaware limited partnership ("League City 210"), whose general partner is League City 210 GP Inc., an Ontario corporation, purchased approximately 203 acres from Englewood Land Investments LP and Wanda Kay Painter, all to be developed as approximately 540 single-family residential lots within Coastal Point. The District makes no representation as to the likelihood of the planned development to occur or the pace at which the planned development might occur.

League City 210 has a \$_____ loan from Texas Capital Bank. Such loan bears interest at six and one-half percent (6.50%) and matures on _____, 20____. The loan is secured by land owned by League City 210 within the District. The outstanding balance on the loan is \$_____ as of September 1, 2022. According to League City 210, it is in compliance with all material conditions of the loan.

SAM BOYD DEVELOPMENT

Sam Boyd, d/b/a Sam Boyd Development, is the original landowner in the District. Since the District's creation, Sam Boyd Development has sold various tracks to different entities, including the land which now contains the Clear Creek ISD Education Village, the H-E-B grocery store, the commercial development currently in the District as well as the land to the other Developers. Sam Boyd Development owns approximately 40 acres in the District.

Homebuilders within the District

Homebuilders active within the District include Gehan Homes, Greeneco Builders, Empire Communities, Plantation Homes, Coventry Homes, Megatel Homes, D.R. Horton and Ashton Woods Homes. Prices of new homes being constructed within the District range from \$350,000 to \$600,000 and range in size from 1,700 to 3,900 square feet.

UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY

All land in the District is located within the city limits of the City of League City. Shortly after the District was created, the District approved and ratified a Utility Agreement with the City dated May 27, 2003, (the "Utility Agreement"). The Utility Agreement obligates the District to acquire, construct, and extend water, sanitary sewer and drainage facilities (the "System") to serve land in the District and, when completed in accordance with approved plans and specifications, the District is required to convey title to such utility facilities to the City. The City then operates and maintain such facilities, and is responsible for establishing water and sewer rates and collection charges for water and sewer service from District residents. The City also levies and collects ad valorem taxes on taxable property within the District just as it does with any other property located in the City. The ad valorem taxes collected by the City are not pledged for the payment of the principal of, premium, if any, or interest on the Bonds. As specified in the Utility Agreement, the District is a "City Service" district and no rebate of City taxes is required. Defined terms listed in the remainder of this section not otherwise defined herein have the meaning ascribed thereto in the Utility Agreement.

The Utility Agreement's significant provisions relating to issuance of District bonds (which may be waived by the City) include the following:

(A) Limitation on the District's bond indebtedness.

The District cannot sell bonds if the ratio of the District's indebtedness to its assessed valuation exceeds 25% during the first 24 months after the bond date and 15% thereafter.

(B) Bonds are required to be issued in series with the minimum limit on each series being \$2,500,000.

(C) The final maturity of all bonds issued shall not exceed thirty (30) years from the date of the initial series of bonds.

(D) The District shall, as specified herein, obtain the City's approval prior to advertising the sale of its bonds. Whenever possible, the District's sale of bonds be scheduled so as not to conflict with a City sale of bonds.

(E) For any bond issue, the combined projected debt service tax rate, as defined in 30 TAC 293.59 referenced above, shall not exceed \$1.50.

(F) For each bond sale, the District shall demonstrate that, at final build-out, the District's net direct debt as a percentage of current and estimated certified assessed value will not exceed ten and one-half percent (10 ½%).

(G) The District is required to obtain the City's approval prior to the advertisement and sale of bonds. Whenever the District requests such approval, the District will provide the City with a copy of the Engineering Report and will certify to the City that the District has complied with the above listed requirements.

The Utility Agreement provides that the District retains a security interest in the System to secure the City's performance under the Utility Agreement until the District's bonds have been discharged. The District will then execute a release of such security interest, and the City will then own the System free and clear.

The District has agreed to extend the System to serve future users as necessary so that ultimately all land owners in the District will be in a position to receive services from the System; however, the District's obligation to extend the system is conditioned upon the Developer's continuing with its development program, the City performing under the provisions of the Utility Agreement, the satisfaction of certain determinations of economic feasibility, governmental agency approvals and the ability of the District to sell bonds.

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**AERIAL PHOTOGRAPH OF THE DISTRICT
(taken July 2022)**



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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken July 2022)



DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the estimated interest requirements for the Bonds and the Outstanding Bonds, assuming the Bonds are issued at an interest rate of 4.00%.

Calendar Year	Outstanding Debt Service (a)	The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2023	\$ 2,831,193	\$ -	\$ 215,222	\$ 215,222	\$ 3,046,415
2024	2,830,018	200,000	260,000	460,000	3,290,018
2025	2,832,343	210,000	252,000	462,000	3,294,343
2026	2,828,908	220,000	243,600	463,600	3,292,508
2027	2,837,828	225,000	234,800	459,800	3,297,628
2028	2,839,469	230,000	225,800	455,800	3,295,269
2029	2,839,331	240,000	216,600	456,600	3,295,931
2030	2,846,569	245,000	207,000	452,000	3,298,569
2031	2,850,063	255,000	197,200	452,200	3,302,263
2032	2,856,306	265,000	187,000	452,000	3,308,306
2033	2,854,056	275,000	176,400	451,400	3,305,456
2034	2,864,713	280,000	165,400	445,400	3,310,113
2035	2,862,275	290,000	154,200	444,200	3,306,475
2036	2,866,975	300,000	142,600	442,600	3,309,575
2037	2,874,138	310,000	130,600	440,600	3,314,738
2038	2,872,894	320,000	118,200	438,200	3,311,094
2039	2,874,175	335,000	105,400	440,400	3,314,575
2040	2,876,656	350,000	92,000	442,000	3,318,656
2041	2,876,300	360,000	78,000	438,000	3,314,300
2042	2,883,088	375,000	63,600	438,600	3,321,688
2043	2,881,069	390,000	48,600	438,600	3,319,669
2044	2,885,925	405,000	33,000	438,000	3,323,925
2045	2,887,231	420,000	16,800	436,800	3,324,031
Total (b)	\$ 65,751,519	\$ 6,500,000	\$ 3,564,022	\$ 10,064,022	\$ 75,815,541

(a) Outstanding as of delivery of the Bonds.

(b) Totals may not sum due to rounding.

Estimated Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2045).....	\$ 3,296,328
Estimated Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2045).....	\$ 3,324,031

Bonded Indebtedness

2022 Certified Taxable Assessed Valuation.....	\$	493,638,021	(a)
Estimated Taxable Valuation as of July 1, 2022.....	\$	564,332,231	(b)
Direct Debt:			
The Outstanding Bonds.....	\$	45,300,000	
The Bonds.....	\$	<u>6,500,000</u>	
Total.....	\$	51,800,000	
Estimated Overlapping Debt.....	\$	<u>13,693,501</u>	(c)
Total Direct and Estimated Overlapping Debt.....	\$	<u><u>65,493,501</u></u>	
Direct Debt Ratios:			
As a percentage of 2022 Certified Taxable Assessed Valuation		10.49 %	
As a percentage of the Estimated Taxable Valuation as of July 1, 2022		9.18 %	
Direct and Estimated Overlapping Debt Ratios:			
As a percentage of 2022 Certified Taxable Assessed Valuation.....		13.27 %	
As a percentage of the Estimated Taxable Valuation as of July 1, 2022		11.61 %	
Park and System Debt Service Fund Balance (as of September 6, 2022).....	\$	_____	(d)
Road System Debt Service Fund Balance (as of September 6, 2022).....	\$	_____	(e)
General Fund Balance (as of September 6, 2022).....	\$	_____	
Capital Project Fund Balance (as of September 6, 2022).....	\$	_____	
2022 Tax Rate per \$100 of Assessed Taxable Valuation			
Park and System Debt Service.....		\$0.63	
Road Debt Service.....		\$0.05	
Maintenance.....		<u>\$0.12</u>	
Total.....		\$0.80	(f)
Estimated Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2045).....	\$	3,296,328	
Estimated Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2045).....	\$	3,324,031	
Combined Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Estimated Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2045) at 95% Tax Collections			
Based Upon 2022 Certified Taxable Assessed Valuation (\$493,638,021)		\$0.71	
Based Upon the Estimated Taxable Valuation as of July 1, 2022 (\$564,332,231)		\$0.62	
Combined Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Estimated Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2045) at 95% Tax Collections			
Based Upon 2022 Certified Taxable Assessed Valuation (\$493,638,021)		\$0.71	
Based Upon the Estimated Taxable Valuation as of July 1, 2022 (\$564,332,231)		\$0.63	
Number of Single-Family Homes (including 63 homes in various stages of construction) as of September 1, 2022.....		1,123	

-
- (a) Provided by the Galveston Central Appraisal District (the "Appraisal District"). Such value represents the Appraisal District's certified valuation of all taxable property within the District as of January 1, 2022. Such value includes \$11,975,466 amount of assessed valuation under review by the Galveston Central Appraisal Review Board (the "Appraisal Review Board"); which represents 80% of such value under review. No taxes will be levied on this certified estimate of taxable value, which is subject to review and downward adjustment prior to certification. After the value is certified by the ARB, taxes will be levied on the certified value. It is anticipated that the Appraisal District will provide the certified taxable assessed valuation as of January 1, 2022, by the end of September 2022. See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of July 1, 2022, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2022, through July 1, 2022. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
 - (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Park and System Debt Service Fund. Funds in the Park and System Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for water, sewer and drainage and parks purposes (e.g., the Bonds) and are not available to pay debt service on bonds issued by the District for road purposes.
 - (e) Funds in the Road Debt Service Fund are not available to pay debt service on bonds issued by the District for water, sewer and drainage and park purposes, such as the Bonds.
 - (f) The District is authorized to levy separate debt service taxes for its road debt and its water, sewer and park debt, both of which are unlimited as to rate or amount. See "THE BONDS – Authority for Issuance."

Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of July 31, 2022	Estimated Overlapping	
		Percent	Amount
Galveston County	\$ 190,346,661	1.23%	\$ 2,349,632
Clear Creek ISD	-	5.08	-
City of League City	237,980,000	4.77	<u>11,343,869</u>
Total Estimated Overlapping Debt			\$ 13,693,501
The District			51,800,000 (a)
Total Direct & Estimated Overlapping Debt			\$ 65,493,501 (a)

(a) Includes the Bonds.

Debt Ratios

	% of 2021 Assessed Taxable Valuation	% the Estimated Taxable Valuation as of July 1, 2022
Direct Debt (a)	10.49%	9.18%
Direct and Estimated Overlapping Debt (a)	13.27%	11.61%

(a) Includes the Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the System or parks and to pay the expenses of assessing and collecting such taxes (see "INVESTMENT CONSIDERATIONS – Future Debt"). In the Bond Resolution, the District agrees to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." See "TAX DATA – Maintenance Tax."

Property Tax Code and County-wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Code are complex and are not fully summarized herein. The Property Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Appraisal District has the responsibility of appraising property for all taxing units within Galveston County, including the District. Such appraisal values will be subject to review and change by the Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

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

and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; 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 of Directors of the District. 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 twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or 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.

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 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 up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who 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.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted a homestead exemption. See "TAX DATA - Exemptions."

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Galveston County, Texas (the "County") may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, Galveston County has not designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

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The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

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

Rollback of Operation and Maintenance Tax Rate

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 "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 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 Property 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 of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the 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 2022 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 the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

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

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of two separate continuing, direct annual ad valorem taxes without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (see "TAXING PROCEDURES"). The Board has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). The District levied a maintenance tax of \$0.12 per \$100 of assessed valuation, a debt service tax of \$0.63 per \$100 of assessed valuation for water, sewer and drainage purposes and a \$0.05 per \$100 assessed valuation for road purposes for the 2022 tax year.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.50 per \$100 Assessed Taxable Valuation.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. The District has levied a maintenance tax every year since the 2005 tax year. See "- Tax Rate Distribution" below.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (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 June 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 Tax Code.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Taxable Valuation which would be required to meet certain debt service requirements if no growth in the District’s tax base occurs beyond the 2022 Certified Taxable Assessed Valuation (\$493,638,021) or the Estimated Taxable Valuation as of July 1, 2022 (\$564,332,231). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Estimated Average Annual Debt Service Requirement (2023-2045)	\$3,296,328
Debt Service Tax Rate of \$0.71 on 2022 Certified Taxable Assessed Valuation produces.....	\$3,329,588
Debt Service Tax Rate of \$0.62 on Estimated Valuation as of July 1, 2022, produces.....	\$3,323,917
Estimated Maximum Annual Debt Service Requirement (2045)	\$3,324,031
Debt Service Tax Rate of \$0.71 on 2022 Certified Taxable Assessed Valuation produces.....	\$3,329,588
Debt Service Tax Rate of \$0.63 on Estimated Valuation as of July 1, 2022, produces.....	\$3,377,528

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 (see “DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2021 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

<u>Taxing Jurisdictions</u>	<u>2021 Tax Rate Per \$100 of Assessed Taxable Valuation</u>
The District (a)	\$0.800000
Galveston County	0.424540
Clear Creek Independent School District	1.179700
City of League City	<u>0.465526</u>
Total Tax Rate	<u>\$2.869766</u>

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

(a) Represents the District’s 2022 tax rate.

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy	% of Collections Current Year	For the Year Ended September 30	% of Collections as of 07/31/2022
2013	\$ 1,976,360	\$1.00000	\$ 19,764	87.13%	2014	100.00%
2014	47,420,613	1.00000	474,206	99.99%	2015	100.00%
2015	95,019,294	1.00000	950,193	99.99%	2016	100.00%
2016	157,197,688	1.00000	1,571,977	99.94%	2017	100.00%
2017	216,414,638	0.95000	2,055,939	99.60%	2018	99.96%
2018	276,059,621	0.93000	2,567,354	99.72%	2019	99.96%
2019	313,818,115	0.90000	2,824,363	99.37%	2020	99.97%
2020	362,754,625	0.85000	3,083,414	99.72%	2021	99.85%
2021	420,890,275	0.83000	3,493,389	99.06% (b)	2022	99.06%

(a) See "Tax Rate Distribution."

(b) In process of collection.

Tax Rate Distribution

	2022	2021	2020	2019	2018
Debt Service (System and Park)	\$0.639	\$0.620	\$0.660	\$0.630	\$0.610
Debt Service (Roads)	0.050	0.065	0.070	0.070	0.100
Maintenance	0.120	0.145	0.120	0.200	0.220
Total	<u>\$0.800</u>	<u>\$0.830</u>	<u>\$0.850</u>	<u>\$0.900</u>	<u>\$0.930</u>

Assessed Taxable Valuation Summary

The following represents the type of property comprising the 2018-2022 tax rolls as certified by the Appraisal District.

Type of Property	2022 Assessed Taxable Valuation (a)	2021 Assessed Taxable Valuation	2020 Assessed Taxable Valuation	2019 Assessed Taxable Valuation	2018 Assessed Taxable Valuation
Land	\$ 95,154,195	\$ 97,226,750	\$ 95,957,770	\$ 86,799,120	\$ 86,562,870
Improvements	558,307,283	440,512,595	311,149,402	286,696,905	245,014,205
Personal Property	11,020,910	11,012,305	11,464,490	12,018,800	11,156,557
Exemptions	<u>(182,819,833)</u>	<u>(127,861,375)</u>	<u>(55,817,037)</u>	<u>(71,696,710)</u>	<u>(66,674,011)</u>
Total	\$ 481,662,555	\$ 420,890,275	\$ 362,754,625	\$ 313,818,115	\$ 276,059,621

(a) Such value does not include \$11,975,466 amount of assessed valuation under review by the ARB; which represents 80% of such value under review. No taxes will be levied on this certified estimate of taxable value, which is subject to review and downward adjustment prior to certification. After the value is certified by the ARB, taxes will be levied on the certified value. It is anticipated that the Appraisal District will provide the certified taxable assessed valuation as of January 1, 2022, by the end of September 2022. See "TAX DATA" and "TAXING PROCEDURES".

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District’s certified appraisal rolls for the 2022 tax year.

Taxpayer	Type of Property	Assessed Taxable Valuation 2022 Tax Roll
RLP III League City LLC	Land & Improvements	\$ 25,029,225
HEB Grocery Company LP	Land & Improvements	9,217,100
96 Lawrence Investment Group LLC	Land & Improvements	5,250,000
HEB Pantry Foods	Land & Improvements	4,510,910
Bhagia Collaborations LTD	Land & Improvements	3,668,460
Project Saturn League City TX LLC	Land & Improvements	3,555,000
League City 210 Dev. Partners LP (a)	Land & Improvements	3,244,060
CH Retail Fund II/Houston Parkway Commons LP	Land & Improvements	3,074,100
Brent & Michele Patterson Family LLP	Land & Improvements	2,700,000
Krupa Properties II LLC	Land & Improvements	<u>2,660,700</u>
Total		<u>\$ 62,909,555</u>
% of Respective Tax Roll		12.74%

(a) See “PRINCIPAL LANDOWNERS/DEVELOPERS.”

THE SYSTEM

Regulation

According to the 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 and the Galveston County Drainage District. According to the District’s Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the TCEQ.

Operation of the District’s waterworks and sewage treatment facilities is provided by the City, 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.

Water Supply

Water supply for the City is obtained from three sources: 1) existing groundwater wells; 2) surface water as a participant in the Southeast Water Purification Plant; and 3) surface water from the City of Dickinson from the Thomas Mackey Water Purification Plant. Water from these three sources is delivered to the City’s nine water plants and from there distributed to retail customers such as the residents of the District.

Wastewater Treatment

The District has constructed a lift station, force main and gravity trunk sewer to connect to the City regional sewer system, which flows to the City’s Dallas Salmon Wastewater Plant, its primary wastewater plant. This plant has sufficient capacity to serve the District through build out.

100-Year Flood Plain

The Federal Emergency Management Agency (“FEMA”) updated maps for the District in August 2019, which placed portions of undeveloped land within the District in the floodplain. The developer is in the process of filling these areas in order to remove them from the floodplain, and all excavation from the District’s detention facilities have been and are being used to raise any portions of the District placed in the floodplain due to the updated maps of August 2019.

THE ROAD SYSTEM

The Road System serves residents of the District by providing access to the major thoroughfares and collectors within the development of Hidden Lakes and its surrounding area. The major thoroughfares and collectors serving the District include South Shore Boulevard, Bishops Bridge, and Madrid Lane. Bishops Bridge and Madrid Lane act as collectors by conveying residents of the District to the major thoroughfare of South Shore Boulevard which connects to League City Parkway to the north and the FM 646 to the south. Bishops Bridge also connects South Shore Boulevard to Village Way, which provides access to elementary, intermediate, and high schools within the District. The Road Bonds will fund the extension of Madrid Lane from its current terminus to SH 646. This will provide access to the Coastal Point development within the District. The District will finance, design and construct the road system in phases as development progresses. The road system will

ultimately be owned, operated and maintained by the City as the phases are constructed and accepted by the City. The District does not intend to maintain or operate the roads once they are accepted by the City.

THE PARK SYSTEM

The parks master plan contains approximately two miles of landscaped reserves and trails. It also includes an amenity center which includes playground equipment and open play areas. All of these will be owned by the District. The amenity center also includes a pool, splash pad and building which will be owned by the Hidden Lakes Homeowners Association.

General Fund Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's System. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and more complete information. See "APPENDIX A."

	Fiscal Year Ended					
	<u>6/30/22</u> (a)	<u>06/30/21</u>	<u>06/30/20</u>	<u>06/30/19</u>	<u>06/30/18</u>	<u>06/30/17</u>
REVENUES						
Property taxes	\$ 604,517	\$ 438,017	\$ 624,103	\$ 621,974	\$ 411,660	\$ 485,312
Investment income	<u>1,103</u>	<u>951</u>	<u>15,581</u>	<u>20,260</u>	<u>2,986</u>	<u>2,266</u>
TOTAL REVENUES	\$ 605,620	\$ 438,968	\$ 639,684	\$ 642,234	\$ 414,646	\$ 487,578
EXPENDITURES						
Professional Fees	\$ 158,523	\$ 132,293	\$ 132,616	\$ 145,592	\$ 132,377	\$ 265,960
Contracted Services	14,513	12,650	11,738	11,569	11,438	11,700
Repairs and Maintenance	229,605	189,514	171,088	146,745	110,847	126,946(c)
Administrative	29,350	18,017	15,191	16,032	14,470	16,827
Other	10,343	675	10,178	10,039	504	1,774
Capital Outlay	-	-	21,700	54,211	-	425,753
Developer Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>348,270</u>
TOTAL EXPENDITURES	\$ 442,333	\$ 353,149	\$ 362,511	\$ 411,188	\$ 269,636	\$ 1,197,230
Excess Revenues (Expenditures)	<u>\$ 163,287</u>	<u>\$ 85,819</u>	<u>\$ 277,173</u>	<u>\$ 231,046</u>	<u>\$ 145,010</u>	<u>\$ (709,652)</u>
Other Sources (Uses)	\$ -	\$ (128,130)	\$ 2,600	\$ -	\$ 48,738	\$ 16,824
Balance, Beg of Year	<u>\$ 1,340,817</u>	<u>\$ 1,383,128</u>	<u>\$ 1,103,355</u>	<u>\$ 872,309</u>	<u>\$ 678,561</u>	<u>\$ 1,371,389</u>
Balance, End of Year	<u>\$ 1,504,104</u>	<u>\$ 1,340,817</u>	<u>\$ 1,383,128</u>	<u>\$ 1,103,355</u>	<u>\$ 872,309</u>	<u>\$ 678,561</u>

(a) Unaudited numbers as of June 30, 2022.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas, the County, the City, or any political subdivision other than the District, will be secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District (see "THE BONDS – Source of Payment). Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See "DEVELOPMENT OF THE DISTRICT," "TAX DATA," and "TAXING PROCEDURES."

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

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

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2022 Certified Taxable Assessed Valuation of property located within the District (see "TAX DATA") is \$493,638,021 and the Estimated Taxable Valuation as of July 1, 2022, is \$564,332,231. After issuance of the Bonds, the estimated maximum annual debt service requirement will be \$3,324,031 (2045) and the estimated average annual debt service requirements will be \$3,296,328 (2023-2045). Assuming no increase to nor decrease from the 2022 Certified Taxable Assessed Valuation, tax rates of \$0.71 and \$0.71 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirements, respectively. Assuming no increase to nor decrease from the Estimated Taxable Valuation as of July 1, 2022, tax rates of \$0.63 and \$0.62 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirements, 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. The District levied a maintenance tax of \$0.12 per \$100 of assessed valuation, a system debt service tax rate of \$0.63 and a road debt service tax rate of \$0.05 per \$100 of assessed valuation for 2022.

Infectious Disease Outlook – COVID-19

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

Since such time, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including the State) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains

the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the easing or removal of COVID-19 associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Potential Effects of Oil Price Declines on the Houston Area

The recent fluctuations in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Competitive Nature of Houston Residential Housing Market

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

Risk of Hurricane Loss

The District is located in the Texas Coastal Plain, and if a hurricane (or any other natural disaster) destroyed all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or increase in the tax rate. There can be no assurance that a casualty loss 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 or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

The Houston area, including the County, sustained widespread flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 20 miles from the Texas Gulf Coast and less than two miles from Galveston Bay. Land located in this area is susceptible to high winds, heavy rain, and flooding caused by hurricanes, tropical storms, and other tropical disturbances.

According to the District's engineer, the District's system did not sustain any material damage from Hurricane Harvey and there was no interruption of water and sewer service during or after the storm. According to the District's Board of Directors, approximately 30 homes flooded in Hidden Lakes, Section One.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a

bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners of the Bonds have a right to seek a writ of mandamus requiring the District to levy sufficient 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Marketability

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

Future Debt

The District has the right to issue the remaining \$45,550,000 authorized but unissued unlimited tax bonds for waterworks, wastewater and drainage facilities, the \$61,000,000 authorized but unissued unlimited tax refunding bonds, and \$3,560,000 authorized but unissued unlimited tax bonds for park and recreational improvements remaining after the issuance of the Bonds (see "THE BONDS - Issuance of Additional Debt"), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The issuance of such unlimited tax bonds for water, sewer and drainage purposes and park and recreational improvements are also subject to approval by the TCEQ. There is no remaining authorized but unissued unlimited tax bonds for road improvements. The District also has the right to issue certain other additional bonds, revenue bonds, special project bonds, and other obligations described in the Bond Resolution.

After the issuance of the Bonds, the District will owe the Developers approximately \$ _____ for the existing facilities. 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."

The District's Engineer estimates that the aforementioned \$45,550,000 authorized unlimited tax bonds which remain unissued will be adequate to finance the construction of all water, wastewater and drainage facilities to provide service to all of the currently undeveloped portions of the District.

Continuing Compliance with Certain Covenants

The Bond Resolution contain covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

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 Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ’s “redesignation substitute” for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court’s ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a “serious” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “marginal” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB 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 HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must

generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required 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. Costs associated with these compliance activities could be substantial in the future.

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 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective June 22, 2020, and is currently the subject of ongoing litigation.

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of "waters of the United States." On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice Proposed Rulemaking to put back into place the pre-2015 definition of "waters of the United States," and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Bond Insurance Risk Factors

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

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy ") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the bond insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

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

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

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

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.

Reappraisal of Property

On November 5, 2019, a Texas Constitutional amendment, effective January 1, 2020, passed and the prior process that gave local taxing jurisdictions the option to request a reappraisal following a disaster was repealed and replaced with an exemption for qualified property that is in a Governor-declared disaster area and at least 15% damaged. Qualified property includes tangible personal property, improvements to real property, and manufactured homes. Eligible individuals must apply within a specified time frame and, if the disaster occurs after taxes are levied, the taxing unit must take action to authorize the exemption. The amount of the exemption is determined by the percentage level of damage and is prorated based on the date of the disaster. The applicable appraisal district must perform a damage assessment and assign a percentage rating to determine the amount of the exemption. Any exemption granted under the new provisions expires the first year the property is reappraised.

LEGAL MATTERS

Legal Opinions

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

financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS (except for information under the subheading “- Book-Entry-Only System”), “THE DISTRICT - Authority,” “TAXING PROCEDURES,” “UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY,” “LEGAL MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Allen Boone Humphries Robinson LLP, also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") may be less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on a Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

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

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

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

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District will designate the Bonds as "qualified tax-exempt obligations" and represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2022 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds).

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to EMMA annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except Estimated Direct and Overlapping Debt Statement), "TAX DATA," and "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2022.

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 month period, and audited financial statements when the audit report becomes available.

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

Event Notices

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

securities laws. Neither the Bonds nor the Bond Resolution makes 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 and 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 to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the principal landowners/developers, the District's records, the Engineer, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT - Description" and "THE SYSTEM" has been provided by Dannenbaum Engineering Corp. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Mr. Tommy Lee of Assessments of the Southwest, Inc. and the Appraisal District. Such information has been included herein in reliance upon Mr. Lee's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not

misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

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

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Galveston County Municipal Utility District No. 45 as of the date shown on the first page hereof.

/s/ _____
President, Board of Directors
Galveston County Municipal Utility District No. 45

ATTEST:

/s/ _____
Secretary, Board of Directors
Galveston County Municipal Utility District No. 45

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT