

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 23, 2025

This PRELIMINARY OFFICIAL STATEMENT is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the OFFICIAL STATEMENT will be completed and delivered to the Underwriters.

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL TO THE EFFECT THAT, UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND ORDERS, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES STATED ABOVE LAW SUBJECT TO THE MATTERS DESCRIBED IN “TAX MATTERS” HEREIN AND IS NOT INCLUDED IN THE FEDERAL ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS. SEE “LEGAL MATTERS” AND “TAX MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

THE BONDS WILL BE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS.”

NEW ISSUE-Book-Entry Only

Underlying Rating: Moody’s “_____”
See “MUNICIPAL BOND RATING AND
MUNICIPAL BOND INSURANCE”
herein.

BAY COLONY WEST MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Galveston County)

\$3,570,000
UNLIMITED TAX BONDS
SERIES 2025

\$2,800,000
UNLIMITED TAX PARK BONDS
SERIES 2025A

The \$3,570,000 Unlimited Tax Bonds, Series 2025 (the “Series 2025 Bonds”) and the \$2,800,000 Unlimited Tax Park Bonds, Series 2025A (the “Series 2025A Park Bonds”) (collectively referred to herein as the “Bonds”) are obligations solely of Bay Colony West Municipal Utility District (the “District”) and are not obligations of the State of Texas, Galveston County, the City of League City or any entity other than the District.

The Bonds, when issued, will constitute valid and legally 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 against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

Dated Date: June 1, 2025

Due: April 1, as shown on the inside cover

Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the “Paying Agent/Registrar”) upon surrender of the Bonds for payment. Interest on the Bonds accrues from the initial date of delivery (expected on or about June 26, 2025) (the “Date of Delivery”), and is payable each April 1 and October 1, commencing October 1, 2025, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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. See “BOOK-ENTRY-ONLY SYSTEM.”

See “MATURITY SCHEDULES” on the inside cover.

The Bonds are offered by the Underwriters (as herein defined) subject to prior sale, when, as and if issued by the District and accepted by the Underwriters, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Bacon, Wallace & Philbin, L.L.P., Houston, Texas, Bond Counsel. See “LEGAL MATTERS.” Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about June 26, 2025.

Bids Due: Wednesday, May 28, 2025 at 12:00 P.M., Houston Time in Houston, Texas
Bid Award: Wednesday, May 28, 2025 at 5:00 P.M., Houston Time in League City, Texas

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 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.

MATURITY SCHEDULES

\$3,570,000 SERIES 2025 BONDS

Principal	Maturity	CUSIP	Interest	Initial	Principal	Maturity	CUSIP	Interest	Initial
<u>Amount (a)</u>	<u>(April 1)</u>	<u>Number (b)</u>	<u>Rate</u>	<u>Reoffering</u>	<u>Amount (a)</u>	<u>(April 1)</u>	<u>Number (b)</u>	<u>Rate</u>	<u>Reoffering</u>
\$ 300,000	2026		%	%	\$ 295,000	2032		%	%
300,000	2027				295,000	2033 (d)			
300,000	2028				295,000	2034 (d)			
300,000	2029				295,000	2035 (d)			
300,000	2030				295,000	2036 (d)			
300,000	2031				295,000	2037 (d)			

\$2,800,000 SERIES 2025A PARK BONDS

Principal	Maturity	CUSIP	Interest	Initial	Principal	Maturity	CUSIP	Interest	Initial
<u>Amount (a)</u>	<u>(April 1)</u>	<u>Number (b)</u>	<u>Rate</u>	<u>Reoffering</u>	<u>Amount (a)</u>	<u>(April 1)</u>	<u>Number (b)</u>	<u>Rate</u>	<u>Reoffering</u>
\$ 235,000	2026		%	%	\$ 235,000	2032		%	%
235,000	2027				235,000	2033 (d)			
235,000	2028				230,000	2034 (d)			
235,000	2029				230,000	2035 (d)			
235,000	2030				230,000	2036 (d)			
235,000	2031				230,000	2037 (d)			

- (a) The Underwriters (as herein defined) may designate one or more maturities of term bonds. See accompanying "OFFICIAL NOTICE OF SALE."
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriters shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriters (as herein defined) for offers to the public and which subsequently may be changed. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date.
- (d) Bonds maturing on or after April 1, 2033, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on April 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an OFFICIAL STATEMENT with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by 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.

This OFFICIAL STATEMENT is not to be used in 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.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, 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 Bacon, Wallace & Philbin, L.L.P., Bond Counsel, 6363 Woodway, Suite 800, Houston, Texas 77057, for further 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 OFFICIAL STATEMENT for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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. However, the District has agreed to keep this OFFICIAL STATEMENT current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this OFFICIAL STATEMENT until delivery of the Bonds to the Underwriters (as herein defined) and thereafter only as specified in “PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement.”

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Series 2025 Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by _____ (the "Series 2025 Bond Underwriter") bearing the interest rates shown on the inside cover page hereof, 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 (the IBA method).

After requesting competitive bids for the Series 2025A Park Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by _____ (the "Series 2025A Park Bond Underwriter") bearing the interest rates shown on the inside cover page hereof, 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 (the IBA method).

The Series 2025 Bond Underwriter and the Series 2025A Park Bond Underwriter shall be referred to herein collectively as the "Underwriters."

Prices and Marketability

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

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description...

The District is a political subdivision of the State of Texas created by an order of the Texas Commission on Environmental Quality (the “TCEQ”) dated March 2, 2004 and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District currently consists of approximately 613 acres of land. See “THE DISTRICT.”

Location...

The District consists of two non-contiguous tracts. Approximately 576 acres within the District (the “Southern Tract”) are located approximately 26 miles southeast of the central downtown business district of the City of Houston and within the boundaries of Dickinson Independent School District. Access to the Southern Tract is provided by Interstate Highway 45 to Calder Road. The remaining approximately 37 acres in the District (the “Northern Tract”) are located approximately 23 miles southeast of the central downtown business district of the City of Houston and within the boundaries of Clear Creek Independent School District. Access to the Northern Tract is provided by Interstate Highway 45, east along FM 518 to FM 2094 and north along Lakeside Drive. All development in the District is currently within the boundaries of the Southern Tract. The District is located wholly within the corporate limits of the City of League City (the “City”). See “THE DISTRICT—Description and Location” and “AERIAL LOCATION MAP.”

The Developers and Major Property Owners...

Lingo Sedona Phase 2, Ltd., a Texas limited partnership (“Lingo Sedona”), whose general partner is Lingo Properties, Inc. has developed Sedona, Section Six and Seven (234 single-family residential lots on approximately 109 acres). Lingo Sedona has completed development and does not own any additional undeveloped but developable land in the District.

TownHarbour Estates, LLC, a Texas limited liability company (“TownHarbour”) owns approximately 37 acres of land in the Northern Tract within the District which is currently being developed as TownHarbour Estates, Section One (105 single-family residential lots on approximately 37 acres).

Lingo Sedona and TownHarbour are collectively referred to herein as the “Developers.” See “THE DEVELOPERS AND MAJOR PROPERTY OWNERS.”

Bay Colony Expansion 369 Ltd. (“Bay Colony 369”), a Texas limited partnership, has developed Bay Colony Pointe West, Sections One and Two, and Sections Four through Eleven, Enclave at Bay Colony West, Section One, Phases I through III and Section Two, and Bay Colony Meadows West, Section One and Two (800 single-family residential lots on approximately 200 acres). The general partner of Bay Colony 369 is Lennar Texas Holding Company, a Texas corporation, which is indirectly wholly owned by Lennar Corporation, a publicly-held corporation, the stock of which is traded on the New York Stock Exchange. Bay Colony 369 continues to own approximately 20 acres of undeveloped but developable land in the District.

Approximately 9 acres of undeveloped but developable land in the District are owned by various entities. The District is not aware of any plans to develop such acreage as of the date hereof.

Status of Development...

Development within the District is being marketed as Bay Colony Meadows West, Bay Colony Pointe West, Enclave at Bay Colony West and Sedona. Development within the District currently includes 1,426 completed single-family residential lots on approximately 414 acres. Additionally, approximately 37 acres are under construction as TownHarbour Estates for the development of 105 single-family residential lots with expected completion by third quarter of 2025. As of April 9, 2025, approximately 1,405 homes were completed and 21 homes were under construction in the District. There are 14 homes in Bay Colony Meadows West, Section Three, Phase II, 16 homes in Bay Colony Pointe West, Section Three, Phase II and 9 homes in Bay Colony Pointe West, Section Three, Phase III that are owned and operated as rental properties by Wan Bridge Fund 115 DE LLC. See “THE DISTRICT—Status of Development,” “—Homebuilding” and “INVESTMENT CONSIDERATIONS—Rental Homes.”

There are approximately 29 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities (excluding approximately 37 acres under construction for the development of 105 single-family residential lots) and approximately 133 undevelopable acres (detention, easements, rights-of-way, landscaping, drainage, utility sites and open spaces) in the District. See “THE DISTRICT—Land Use.”

<i>Homebuilding...</i>	K. Hovnanian Homes is actively building homes in Sedona, Section 7, which have an average sales price range of approximately \$370,000 to \$483,000. See “THE DISTRICT—Homebuilding.”
<i>Water and Wastewater...</i>	Water supply and wastewater treatment for the District is provided by the City of League City and all revenues from the collection of charges for water and sewer services are paid directly to the City of League City. See “UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY” and “THE SYSTEM.”
<i>Payment Record...</i>	The District has previously issued \$34,335,000 principal amount of unlimited tax bonds in eight series and two series of unlimited tax refunding bonds in the principal amount of \$7,970,000, of which \$22,070,000 principal amount collectively remains outstanding (the “Outstanding Bonds”) as of the date hereof. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Debt.” The Series 2025 Bonds are the District’s ninth issuance of unlimited tax bonds for water, wastewater and drainage facilities and the Series 2025A Park Bonds are the District’s first issuance of unlimited tax bonds for parks and recreational facilities. The District has never defaulted on its debt obligations.

THE BONDS

<i>Description...</i>	The \$3,570,000 Unlimited Tax Bonds, Series 2025 (the “Series 2025 Bonds”) and the \$2,800,000 Unlimited Tax Park Bonds, Series 2025A (the “Series 2025A Park Bonds”) (collectively referred to herein as the “Bonds”) are being issued as fully-registered bonds pursuant to separate orders (the “Bond Orders”) authorizing the issuance of each such series of Bonds adopted by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature serially on April 1 in each of the years 2026 through 2037, both inclusive, in the principal amounts and accruing interest at the rates shown on the inside cover hereof. Interest on the Bonds accrues from the Date of Delivery, and is payable October 1, 2025, and each April 1 and October 1 thereafter, until the earlier of maturity or redemption. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. See “THE BONDS.”
<i>Book-Entry-Only System...</i>	The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Redemption...</i>	Bonds maturing on or after April 1, 2033 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on April 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds...</i>	Proceeds of the Series 2025 Bonds will be used to pay for items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Bonds,” including to pay interest on funds advanced by the Developers on behalf of the District and to pay administrative costs and certain other costs of issuance and engineering fees related to the issuance of the Series 2025 Bonds. Proceeds of the Series 2025A Park Bonds will be used to pay for items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025A Park Bonds” including to pay administrative costs and certain other costs of issuance and engineering fees related to the issuance of the Series 2025A Park Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “PARK FACILITIES.”

<i>Authority for Issuance...</i>	The Series 2025 Bonds are the eighth series of bonds issued out of an aggregate of \$44,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of purchasing and constructing water, wastewater and/or storm drainage facilities. The Series 2025A Park Bonds are the first series of bonds issued out of an aggregate of \$2,800,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of financing and/or constructing parks and recreational facilities. The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Orders, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, elections held within the District and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "THE BONDS—Authority for Issuance."
<i>Source of Payment...</i>	Principal of and interest on the Bonds and the Outstanding Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the City, Galveston County, the State of Texas or any entity other than the District. See "THE BONDS—Source of Payment."
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	Application has been made to Moody's Investors Service ("Moody's") for an underlying rating on the Bonds, and Moody's has assigned an underlying rating of "_____" to the Bonds. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the applicable Underwriter at the applicable Underwriter's expense. The rating fee of Moody's will be paid for by the District; payment of any other rating fee will be the responsibility of the applicable Underwriter. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."
<i>Qualified Tax-Exempt Obligations...</i>	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."
<i>Bond Counsel...</i>	Bacon, Wallace & Philbin, L.L.P., Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS" and "TAX MATTERS."
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT" and "PREPARATION OF THE OFFICIAL STATEMENT."
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2024 Certified Taxable Assessed Valuation.....	\$395,927,505	(a)
Estimated Taxable Assessed Valuation as of March 1, 2025	\$445,336,864	(b)
Gross Direct Debt Outstanding	\$28,440,000	(c)
Estimated Overlapping Debt	<u>32,921,228</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$61,361,228	
Ratios of Gross Direct Debt to:		
2024 Certified Taxable Assessed Valuation	7.18%	
Estimated Taxable Assessed Valuation as of March 1, 2025	6.39%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2024 Certified Taxable Assessed Valuation.....	15.50%	
Estimated Taxable Assessed Valuation as of March 1, 2025	13.78%	
Debt Service Funds Available as of March 26, 2025	\$4,086,038	
Operating Funds Available as of March 26, 2025	\$3,518,162	
Capital Projects Funds Available as of March 26, 2025	\$ 152,293	(e)
2024 Debt Service Tax Rate.....	\$0.585	
2024 Maintenance Tax Rate.....	<u>0.305</u>	
2024 Total Tax Rate.....	\$0.890	
Projected Average Annual Debt Service Requirement (2026-2037).....	\$2,643,961	(f)
Projected Maximum Annual Debt Service Requirement (2026).....	\$3,262,062	(f)
Tax Rates Required to Pay Average Annual Debt Service (2026-2037) at a 95% Collection Rate		
Based upon 2024 Certified Taxable Assessed Valuation.....	\$0.71	(g)
Based upon Estimated Taxable Assessed Valuation as of March 1, 2025	\$0.63	(g)
Tax Rates Required to Pay Maximum Annual Debt Service (2026) at a 95% Collection Rate		
Based upon 2024 Certified Taxable Assessed Valuation	\$0.87	(g)
Based upon Estimated Taxable Assessed Valuation as of March 1, 2025	\$0.78	(g)
Status of Development as of April 9, 2025 (h):		
Total Developed Lots	1,426	
Completed Homes	1,405	
Homes Under Construction	21	
Estimated Population	4,917	(i)

- (a) As certified by the Galveston Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for information purposes only. Such amount reflects an estimate of the taxable assessed value within the District on March 1, 2025. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2025 and March 1, 2025 will be certified as of January 1, 2026. See "TAXING PROCEDURES."
- (c) Includes the Bonds and the Outstanding Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Debt."
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (e) The District will use \$150,000 in surplus Capital Project Funds in connection with the Series 2025 Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Bonds."
- (f) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (g) See "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."
- (h) See "THE DISTRICT—Status of Development."
- (i) Based upon 3.5 persons per single-family residence.

PRELIMINARY OFFICIAL STATEMENT

BAY COLONY WEST MUNICIPAL UTILITY DISTRICT

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

\$3,570,000
UNLIMITED TAX BONDS
SERIES 2025

\$2,800,000
UNLIMITED TAX PARK BONDS
SERIES 2025A

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Bay Colony West Municipal Utility District (the “District”) of its \$3,570,000 Unlimited Tax Bonds, Series 2025 (the “Series 2025 Bonds”) and the \$2,800,000 Unlimited Tax Park Bonds, Series 2025A (the “Series 2025A Park Bonds”). The Series 2025 Bonds and the Series 2025A Park Bonds are collectively referred to herein as the “Bonds.”

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, separate orders authorizing, respectively, the issuance of the Series 2025 Bonds and the Series 2025A Park Bonds (collectively the “Bond Orders”) adopted by the Board of Directors of the District (the “Board”), an order of the Texas Commission on Environmental Quality (the “TCEQ”) and elections held within the District.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Orders, and certain other information about the District, Lingo Sedona Phase 2, Ltd., a Texas limited partnership (“Lingo Sedona”), TownHarbour Estates, LLC, a Texas limited liability company (“TownHarbour”), a Utility Agreement (hereinafter defined) between the District and the City of League City (the “City”) and development activity in the District. Lingo Sedona and TownHarbour are collectively referred to herein as the “Developers.” All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Bacon, Wallace & Philbin, L.L.P., Bond Counsel, 6363 Woodway, Suite 800, Houston, Texas 77057.

THE BONDS

Description

The Bonds will be dated June 1, 2025 and accrue interest from the Date of Delivery, with interest payable each October 1 and April 1, beginning October 1, 2025 (the “Interest Payment Date”), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the inside cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Orders, the Board has appointed The Bank of New York Mellon Trust Company, N.A., Houston, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the March 15 or September 15 immediately preceding each Interest Payment Date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar’s records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Orders.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remains outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Orders, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

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

Funds

In the Bond Orders, the Debt Service Fund is confirmed, and the proceeds from all debt service taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Orders shall be deposited, as collected, in such fund.

Proceeds of sale of the Bonds shall be deposited into the Capital Projects Funds, to be used for the purpose of reimbursing the Developers for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Funds after completion of construction of the water, wastewater, and drainage system and parks and recreational facilities will be used as described in the Bond Orders or ultimately transferred to the Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of Bond proceeds and the projects related thereto.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after April 1, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on April 1, 2032, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written 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 Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At bond elections held within the District on November 12, 2004, the voters of the District authorized the issuance of \$44,000,000 principal amount of unlimited tax bonds for the purpose of purchasing and/or constructing water, wastewater and storm drainage facilities and \$2,800,000 principal amount of unlimited tax bonds for the purpose of financing and/or constructing parks and recreational facilities. The Series 2025 Bonds constitute the ninth issuance of bonds pursuant to such authorization and the Series 2025A Park Bonds constitute the first issuance of bonds pursuant to such authorization. The TCEQ has approved the issuance of the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in "USE AND DISTRIBUTION OF BOND PROCEEDS."

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Orders, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, elections held within the District, a Utility Agreement (hereinafter defined) between the District and the City, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY."

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

Registration and Transfer

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

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

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

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

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

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District's voters have authorized the issuance of \$44,000,000 principal amount of unlimited tax bonds for the purpose of purchasing and/or constructing water, wastewater and storm drainage facilities. The District has also authorized \$44,000,000 principal amount of unlimited tax refunding bonds to refund or redeem its outstanding debt and \$2,800,000 principal amount of unlimited tax bonds to finance park and recreational facilities. After the issuance of the Series 2025 Bonds and Series 2025A Park Bonds, the District will have \$6,095,000 principal amount of unlimited tax bonds for the purpose of purchasing and/or constructing water, wastewater or storm drainage facilities authorized but unissued and no authorization will remain authorized but unissued for financing and/or constructing parks and recreational facilities. In addition, the District has \$43,255,510 principal amount of unlimited tax bonds for refunding purposes authorized but unissued. The District expects to issue additional bonds in order to reimburse the Developers for the cost of water, wastewater and/or storm drainage facilities constructed within the District. See "INVESTMENT CONSIDERATIONS—Future Debt."

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, enter into amendments to the existing Utility Agreement with the City specifying the purposes for which the District may issue bonds, and obtain approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for "road powers" nor calling such an election at this time.

The Bond Orders impose no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. The District expects to issue additional bonds in order to reimburse the Developers for the cost of water, wastewater and/or storm drainage facilities within the District. Issuance of additional bonds could dilute the investment security for the Bonds.

Financing Recreational Facilities

Pursuant to provisions of the Texas Constitution, as amended in 2003, conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain parks and recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support parks and recreational facilities.

Pursuant to the provisions of related statutory amendments, the District is authorized to issue such bonds if (i) the bonds payable from any source do not exceed one percent (1%) of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, may exceed an amount equal to one percent (1%) but not greater than three percent (3%) of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (ii) the District obtains any necessary governmental consents allowing the issuance of such bonds; (iii) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (iv) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. The District is also authorized to levy an operation and maintenance tax to support parks and recreational facilities at a rate not to exceed \$1.50 per \$100 of taxable assessed valuation of taxable property in the District, after such tax is approved at an election. Such operation and maintenance tax is in addition to any other operation and maintenance tax authorized to be levied by the District. At an election held within the District on November 12, 2004, voters of the District authorized a total of \$2,800,000 principal amount of unlimited tax bonds for financing and constructing parks and recreational facilities and authorized a maintenance tax not to exceed \$1.50 per \$100 of taxable assessed valuation for maintenance of recreational facilities. After issuance of the Series 2025A Park Bonds, no authorization will remain authorized but unissued for financing and/or constructing parks and recreational facilities.

Current law may be changed in a manner to increase the amount of bonds which may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Consolidation

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

Dissolution by the City of League City

Under existing Texas law, because the District lies wholly within the corporate limits of the City, the District must conform to a City ordinance consenting to the creation of the District. In addition, the District may be dissolved by the City without the District's consent. If the District is dissolved, the City will assume the District's assets and obligations (including the Bonds). Dissolution of the District by the City is a policy matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that dissolution will or will not occur and makes no representation of the City's financial capability to pay debt services on the Bonds if such dissolution were to occur.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then 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 in the Bond Orders 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 that the Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Orders, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Orders. Except for mandamus, the Bond Orders do 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. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government’s sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Orders may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See “INVESTMENT CONSIDERATIONS—Registered Owners’ Remedies and Bankruptcy Limitations.”

Amendments to the Bond Orders

The Bond Orders may be amended, without consent of or notice to any Registered Owners, in any manner not detrimental to the interest of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Orders; provided that without the consent of the owners of all of the Bonds affected, no such amendment, addition or revision may (i) change the stated time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, change the place or places on the coin payable or currency in which the Bonds are payable, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond or (iii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition or revision in the manner described above for notice of redemption of Bonds. In addition, a state, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

“(b) A district’s bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any 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 might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Defeasance

The Bond Orders provide 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 the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this 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 or completeness thereof.

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will 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 "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each series and maturity of the Bonds, in the aggregate principal amount of such series and maturity, and will be deposited with DTC.

DTC, the world's largest 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 3.6 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 rating of “AA+” from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each 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 affect 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 the District (or the Trustee on behalf thereof) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY

All land in the District is located within the corporate limits of the City. The City and the District have entered into the Utility Agreement, effective June 24, 2003, which obligates (1) the District to acquire, construct and extend water, wastewater and storm drainage facilities (the “System”) to serve land in the District and, when completed in accordance with plans and specifications approved by the City, to convey title to such utility facilities to the City and (2) the City to provide permanent water supply and wastewater treatment for the District. Pursuant to the Utility Agreement, the City operates and maintains such utility facilities, and is responsible for establishing water and sewer rates and collection charges for water and sewer service from District residents and the District purchases capacity in the City’s water supply and wastewater treatment facilities by paying a water and wastewater recovery impact fees to the City. Such fees may be amended by the City from time to time and at any time, subject to certain limitations imposed by state law. 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 District has agreed to extend the System to serve future users as necessary so that ultimately all landowners 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 continued development within the District, the City’s performance under the provisions of the Utility Agreement, and satisfaction of certain determinations of economic feasibility by the Board and the TCEQ, and TCEQ approval and the ability of the District to sell bonds.

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by Gannett Fleming, the District’s engineer (the “Engineer”), and were submitted to the TCEQ in the District’s Bond Application. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and Masterson Advisors LLC (the “Financial Advisor”). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of certain agreed-upon procedures by the District’s auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

SERIES 2025 BONDS

CONSTRUCTION COSTS

• Clearing to Serve Sedona, Section 7.....	\$ 186,800
• Detention to serve Sedona, Section 7.....	501,452
• Underground Utilities to serve Sedona, Section 7.....	1,630,409
• Detention Land Costs.....	400,016
• Engineering.....	310,139
• Less: Surplus Funds (a).....	<u>(150,000)</u>

Total Construction Costs..... **\$ 2,878,816**

NON-CONSTRUCTION COSTS

• Bond Discount (Estimated at 3.00%) (b).....	\$ 107,100
• Developer Interest (Estimated).....	<u>328,120</u>

Total Non-Construction Costs..... **\$ 435,220**

ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$ 215,969
• Bond Application Report.....	27,500
• State Regulatory Fees.....	<u>12,495</u>

Total Issuance Costs and Fees..... **\$ 255,964**

TOTAL BOND ISSUE..... **\$ 3,570,000**

(a) See “SELECTED FINANCIAL INFORMATION (UNAUDITED)” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED).”

(b) In its order authorizing the issuance of the Series 2025 Bonds, the TCEQ approved a maximum Bond Discount of 3.00%.

SERIES 2025A PARK BONDS

CONSTRUCTION COSTS

• Bay Colony West Park Project.....	\$ 2,175,000
• Engineering.....	326,250

Total Construction Costs..... **\$ 2,501,250**

NON-CONSTRUCTION COSTS

• Bond Discount (Estimated at 3.00%) (a).....	\$ 84,000
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Total Non-Construction Costs..... **\$ 84,000**

ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$ 177,450
• Bond Engineering Report.....	27,500
• State Regulatory Fees.....	9,800

Total Issuance Costs and Fees..... **\$ 214,750**

TOTAL BOND ISSUE..... **\$ 2,800,000**

(a) In its order authorizing the issuance of the Series 2025A Park Bonds, the TCEQ approved a maximum Bond Discount of 3.00%.

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the TCEQ. In the event actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ notice or approval and the issuance of additional bonds may be required.

THE DISTRICT

General

The District is a municipal utility district created by an order of the TCEQ, dated March 2, 2004, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the corporate limits of the City, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District. The City provides fire protection within the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities. See “THE BONDS—Financing Recreational Facilities.”

Construction and operation of the District's water, wastewater, and storm water drainage system is subject to the regulatory jurisdiction of various State of Texas and local agencies. See “THE SYSTEM—Regulation.”

Description and Location

The District consists of two non-contiguous tracts. Approximately 576 acres within the District (the “Southern Tract”) are located approximately 26 miles southeast of the central downtown business district of the City of Houston and within the boundaries of Dickinson Independent School District. Access to the Southern Tract is provided by Interstate Highway 45 to Calder Road. The remaining approximately 37 acres in the District (the “Northern Tract”) are located approximately 23 miles southeast of the central downtown business district of the City of Houston and within the boundaries of Clear Creek Independent School District. Access to the Northern Tract is provided by Interstate Highway 45, east along FM 518 to FM 2094 and north along Lakeside Drive. All development in the District is currently within the boundaries of the Southern Tract. The District is located wholly within the corporate limits of the City. See “AERIAL LOCATION MAP.”

Land Use

The District currently includes approximately 414 acres of single-family residential development (1,426 single-family residential lots), approximately 37 acres under construction for the development of 105 single-family residential lots, approximately 29 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities and approximately 133 acres of undevelopable land. The table below represents a detailed breakdown of the current acreage and development in the District.

<u>Single-Family Residential</u>	Approximate Acres	Lots
Bay Colony Meadows West:		
Section One.....	13	39
Section Two.....	26	94
Section Three, Phase I.....	18	67
Section Three, Phase II (a).....	8	42
Section Three, Phase III.....	14	50
Subtotal.....	79	292
Bay Colony Pointe West:		
Section One.....	24	103
Section Two.....	21	95
Section Three, Phase I.....	37	150
Section Three, Phase II (b).....	11	31
Section Three, Phase III (c).....	17	52
Section Four.....	20	71
Section Five.....	4	20
Section Six.....	10	43
Section Seven.....	6	28
Section Eight.....	7	30
Section Nine.....	8	39
Section Ten.....	5	17
Section Eleven.....	26	77
Subtotal.....	196	756
Enclave at Bay Colony West:		
Section One, Phase I.....	8	39
Section One, Phase II.....	8	40
Section One, Phase II.....	6	41
Section Two.....	8	24
Subtotal.....	30	144
Sedona:		
Section Six, Phase I.....	21	62
Section Six, Phase II.....	49	85
Section Seven.....	39	87
Subtotal.....	109	234
TownHarbour Estates:		
Section One (d).....	37	105
Single-Family Residential Subtotal.....	451	1,531
Future Development.....	29	--
Non-Developable (e).....	133	--
Subtotal.....	162	0
Totals.....	613	1,531

- (a) Includes 14 homes that are owned and operated by Wan Bridge Fund 115 DE LLC as rental properties. See “INVESTMENT CONSIDERATIONS—Rental Homes.”
- (b) Includes 16 homes that are owned and operated by Wan Bridge Fund 115 DE LLC as rental properties. See “INVESTMENT CONSIDERATIONS—Rental Homes.”
- (c) Includes 9 homes that are owned and operated by Wan Bridge Fund 115 DE LLC as rental properties. See “INVESTMENT CONSIDERATIONS—Rental Homes.”
- (d) Construction is underway with estimated completion in the third quarter of 2025.
- (e) Includes detention, easements, right-of-way, landscaping, drainage, utility sites and open spaces.

Status of Development

Development within the District is being marketed as Bay Colony Meadows West, Bay Colony Pointe West, Enclave at Bay Colony West and Sedona. Development within the District currently includes 1,426 completed single-family residential lots on approximately 414 acres. Additionally, approximately 37 acres are under construction as TownHarbour Estates for the development of 105 single-family residential lots with expected completion in third quarter of 2025. As of April 9, 2025, approximately 1,405 homes were completed and 21 homes were under construction in the District. There are 14 homes in Bay Colony Meadows West, Section Three, Phase II, 16 homes in Bay Colony Pointe West, Section Three, Phase II and 9 homes in Bay Colony Pointe West, Section Three, Phase III that are owned and operated as rental properties by Wan Bridge Fund 115 DE LLC. See “INVESTMENT CONSIDERATIONS—Rental Homes.”

Homebuilding

K. Hovnanian Homes is actively building homes in Sedona, Section 7, which have an average sales price range of approximately \$370,000 to \$483,000.

Future Development

The District is currently planned as a primarily single-family residential development. Approximately 29 developable acres of land in the District (excluding approximately 37 acres under construction for the development of 105 single-family residential lots) are not yet fully served with water distribution, wastewater collection, storm drainage or, parks or roads. While the Developers anticipate future development of this acreage as business conditions warrant, there can be no assurances if and when any of such undeveloped land will ultimately be developed. The District intends to issue the remaining authorized but unissued bonds (\$6,095,000) to finance a portion of the construction of water, wastewater, storm drainage and park facilities in the District. See “THE BONDS—Issuance of Additional Debt,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS—Future Debt.”

THE DEVELOPERS AND MAJOR PROPERTY OWNERS

Role of a Developer

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developer or third parties. While a developer is required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective Bond purchasers should note that the prior real estate experience of the Developers should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful.

Neither the Developers, nor any other property owner is responsible for, liable for, or has made any commitment for payment of the Bonds or other obligations of the District. Neither Developers, nor any other property owners have any legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of their property within the District, or any other assets, at any time. See “INVESTMENT CONSIDERATIONS—Landowner Obligation to the District.”

Lingo Sedona Phase 2, Ltd.

Lingo Sedona Phase 2, Ltd., a Texas limited partnership (“Lingo Sedona”), whose general partner is Lingo Properties, Inc. has developed Sedona, Section Six and Seven (234 single-family residential lots on approximately 109 acres). Lingo Sedona has completed development and does not own any additional undeveloped but developable land in the District.

TownHarbour Estates, LLC

TownHarbour Estates, LLC, a Texas limited liability company (“TownHarbour”) owns approximately 37 acres of land in the Northern Tract within the District which is currently being developed as TownHarbour Estates, Section One (105 single-family residential lots on approximately 37 acres).

Lingo Sedona and TownHarbour are collectively referred to herein as the “Developers.”

Major Property Owners

Bay Colony Expansion 369 Ltd. (“Bay Colony 369”), a Texas limited partnership, has developed Bay Colony Pointe West, Sections One and Two, and Sections Four through Eleven, Enclave at Bay Colony West, Section One, Phases I through III and Section Two, and Bay Colony Meadows West, Section One and Two (800 single-family residential lots on approximately 200 acres). The general partner of Bay Colony 369 is Lennar Texas Holding Company, a Texas corporation, which is indirectly wholly owned by Lennar Corporation, a publicly-held corporation, the stock of which is traded on the New York Stock Exchange. Bay Colony 369 continues to own approximately 20 acres of undeveloped but developable land in the District.

Approximately 9 acres of undeveloped but developable land in the District are owned by various entities. The District is not aware of any plans to develop such acreage as of the date hereof.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May in even numbered years only. All of the directors reside within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
James Carnes	President	May 2028
Jimmy A. Flores	Vice President	May 2026
Mark Kieselhorst	Secretary	May 2028
Jason Llorente	Deputy Secretary	May 2026
Andrea Legge	Director	May 2028

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Bond Counsel/Attorney: The District has engaged Bacon, Wallace & Philbin, L.L.P. as general counsel to the District and as Bond Counsel in connection with the issuance of the District’s debt obligations. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

Financial Advisor: Masterson Advisors LLC serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: The financial statements of the District as of August 31, 2024, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s audited financial statements for the year ended August 31, 2024.

Engineer: The District’s consulting engineer is Gannett Fleming (the “Engineer”).

Tax Appraisal: The Galveston Central Appraisal District has the responsibility of appraising all property within the District. See “TAXING PROCEDURES.”

Bookkeeper: The District has contracted with Municipal Accounts & Consulting, L.P. for bookkeeping services.

THE PARK SYSTEM

ENGINEER TO REVIEW

The District prepared and approved a Master Park Plan, as may be amended from time to time. The Master Park Plan outlines projects related to parks and recreational facilities within the District. Proceeds of the Series 2025A Park Bonds will be expended to finance [REDACTED]. See “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025A Park Bonds” for a detailed description of the use of bond proceeds.

THE SYSTEM

Regulation

Construction and operation of the water, wastewater and storm drainage system serving the District (the “System”) as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Construction of water, wastewater and storm drainage facilities is subject to the regulatory authority of the City and Galveston County. The TCEQ also exercises regulatory jurisdiction over portions of the System.

Water Supply and Wastewater Treatment

Permanent water supply and wastewater treatment for the District is provided by the City pursuant to the Utility Agreement. The water supplied by the City is purchased from the Galveston County Water Authority, which obtains surface water from the City of Houston through a long-term contract and delivers it to the City via a 39-inch transmission line to a location along Interstate Highway 45. See “UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY.”

Pursuant to the Utility Agreement, the District has been allocated 1,448 equivalent single-family connections in the City’s water supply and wastewater treatment facilities. A system of internal water distribution, wastewater collection and storm drainage lines has been constructed to serve 1,426 single-family residential lots. See “THE DISTRICT—Land Use.”

Water supply and wastewater treatment for the District is provided by the City and all revenues from the collection of charges for water and sewer services are paid directly to the City.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

The District has constructed water distribution, wastewater collection, storm drainage and paving facilities to serve 1,426 single-family residential lots. In addition, construction for 105 single-family residential lots is underway on approximately 37 acres with completion expected in the third quarter of 2025. See “THE DISTRICT—Land Use” and “—Status of Development.”

Ownership and Operations

The District (or the Developers on behalf of the District) finances and constructs the System, and thereafter conveys the components of the System to the City upon completion, subject to the District’s capacity rights and the Developers’ reimbursement rights pursuant to the Utility Agreement. The System is owned, maintained, and operated by the City. The City charges and collects the fees associated with the System. The District receives no revenues from the operation of the System; funds for the administration of the District are available from maintenance tax revenue. See “UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY.”

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (“FEMA”) has delineated the appropriate areas of flood hazards. The one percent (1%) chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent (1%) chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded.

The District’s drainage system has been designed and constructed to all current standards. According to the Engineer; approximately 29 acres of undeveloped land are shown within the 500-year flood plain based on the effective FEMA flood insurance rate map 48167C0228G dated August 15, 2019. Also, approximately 38 acres land within the District being developed as TownHarbour Estates, Section One are within the 100-year flood plain as depicted by the FEMA flood insurance rate map 48167C0041G dated August 15, 2019. The development on the approximately 38 acres will include channels and detention storage to offset any floodplain fill mitigation that is required and all building pads within the development will comply with the City’s latest floodplain ordinance. The remainder of the District is outside any flood plain designation. See “INVESTMENT CONSIDERATIONS—Extreme Weather Events.”

Atlas 14

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

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2024 Certified Taxable Assessed Valuation.....	\$395,927,505	(a)
Estimated Taxable Assessed Valuation as of March 1, 2025	\$445,336,864	(b)
Gross Direct Debt Outstanding	\$28,440,000	(c)
Estimated Overlapping Debt	32,921,228	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$61,361,228	
Ratios of Gross Direct Debt to:		
2024 Certified Taxable Assessed Valuation	7.18%	
Estimated Taxable Assessed Valuation as of March 1, 2025	6.39%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2024 Certified Taxable Assessed Valuation.....	15.50%	
Estimated Taxable Assessed Valuation as of March 1, 2025	13.78%	
Debt Service Funds Available as of March 26, 2025	\$4,086,038	
Operating Funds Available as of March 26, 2025	\$3,518,162	
Capital Projects Funds Available as of March 26, 2025	\$ 152,293	(e)

- (a) As certified by the Galveston Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for information purposes only. Such amount reflects an estimate of the taxable assessed value within the District on March 1, 2025. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2025 and March 1, 2025 will be certified as of January 1, 2026. See "TAXING PROCEDURES."
- (c) Includes the Bonds and the Outstanding Bonds. See "—Outstanding Debt" below.
- (d) See "—Estimated Overlapping Debt" herein.
- (e) The District will use \$150,000 in surplus Capital Projects Funds in connection with the Series 2025 Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Bonds."

Investments of the District

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

Outstanding Debt

The District has previously issued eight series of unlimited tax bonds for funding water, wastewater, and/or storm drainage facilities and two series of unlimited tax refunding bonds. The following table lists the original principal amount of such bonds by series and the principal amount of such bonds that will remain outstanding (the "Outstanding Bonds") as of the date hereof.

Series	Original Principal Amount	Outstanding Bonds
2007	\$ 2,560,000	\$ -
2008	3,065,000	-
2011	4,185,000	-
2015 (a)	4,815,000	2,495,000
2015A	4,800,000	2,700,000
2016	4,300,000	2,700,000
2017 (a)	3,155,000	2,245,000
2019	7,085,000	5,210,000
2021	4,800,000	3,900,000
2022	3,540,000	2,820,000
Total	\$ 42,305,000	\$ 22,070,000

- (a) Unlimited tax refunding bonds.

Debt Service Requirements

The following sets forth debt service on the Outstanding Bonds and the estimated debt service on the Bonds at an estimated interest rate per annum of 4.50%.

Year	Oustanding Bonds Debt Service Requirements	Plus: The Series 2025 Bonds		Plus: The Series 2025A Park Bonds		Debt Service Requirements
		Principal	Interest	Principal	Interest	
2025	\$ 1,952,612.00 (a)	\$ -	\$ 42,393.75	\$ -	\$ 33,250.00	\$ 2,028,255.75
2026	2,452,449.00	300,000	153,900.00	235,000	120,712.50	3,262,061.50
2027	2,427,872.00	300,000	140,400.00	235,000	110,137.50	3,213,409.50
2028	2,396,293.00	300,000	126,900.00	235,000	99,562.50	3,157,755.50
2029	2,358,318.25	300,000	113,400.00	235,000	88,987.50	3,095,705.75
2030	2,318,939.38	300,000	99,900.00	235,000	78,412.50	3,032,251.88
2031	2,288,228.25	300,000	86,400.00	235,000	67,837.50	2,977,465.75
2032	2,166,493.25	295,000	73,012.50	235,000	57,262.50	2,826,768.25
2033	1,788,162.50	295,000	59,737.50	235,000	46,687.50	2,424,587.50
2034	1,746,406.25	295,000	46,462.50	230,000	36,225.00	2,354,093.75
2035	1,753,681.25	295,000	33,187.50	230,000	25,875.00	2,337,743.75
2036	1,709,184.38	295,000	19,912.50	230,000	15,525.00	2,269,621.88
2037	239,259.38	295,000	6,637.50	230,000	5,175.00	776,071.88
Total	\$ 25,597,898.88	\$ 3,570,000	\$ 1,002,243.75	\$ 2,800,000	\$ 785,650.00	\$ 33,755,792.63

(a) Excludes the District's April 1, 2025 debt service payment of \$541,212.

Average Annual Debt Service Requirements (2026-2037)	\$2,643,961
Maximum Annual Debt Service Requirement (2026)	\$3,262,062

District Operations

The System is owned and operated by the City and no water and sewer revenue is received by the District nor is the District responsible for operation, repair or maintenance of the System.

General Operating Fund

The Outstanding Bonds and the Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues from operation of the District, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds and the Outstanding Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Bonds or the Outstanding Bonds in the foreseeable future.

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ended August 31, 2021 through August 31, 2024 and an unaudited summary provided by the Bookkeeper for the seven-month period ended March 31, 2025. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	9/1/2024 to 3/31/2025 (a)	Fiscal Year Ended August 31			
		2024	2023	2022	2021
Revenues:					
Property Taxes		\$ 1,063,014	\$ 883,188	\$ 550,928	\$ 273,914
Penalty and Interest		2,792	3,381	-	-
Investment Income		114,743	63,605	5,279	613
Other Income		2,634	17,999	-	661
Total Revenues	\$ -	\$ 1,183,183	\$ 968,173	\$ 556,207	\$ 275,188
Expenditures:					
Professional Fees		\$ 81,680	\$ 97,669	\$ 94,862	\$ 109,840
Contracted Services		75,546	65,748	24,428	19,423
Repairs and Maintenance		64,388	29,160	12,514	19,137
Other Expenditures		41,398	33,964	31,834	45,241
Capital Outlay		-	-	23,552	-
Debt Issuance Costs		4,727	-	-	35,934
Total Expenditures	\$ -	\$ 267,739	\$ 226,541	\$ 187,190	\$ 229,575
Net Revenues	\$ -	\$ 915,444	\$ 741,632	\$ 369,017	\$ 45,613
Other Financing Sources (Interfund Transfer In)	\$ -	\$ -	\$ 10,690	\$ -	\$ -
General Operating Fund Balance (Beginning of Year)	\$ 2,538,809	\$ 1,623,365	\$ 871,043	\$ 502,026	\$ 456,413
General Operating Fund Balance (End of Year)	\$ 2,538,809	\$ 2,538,809	\$ 1,623,365	\$ 871,043	\$ 502,026

(a) Unaudited. Provided by the Bookkeeper.

Estimated Overlapping Debt

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Galveston County	\$143,154,091	03/31/25	0.74%	\$ 1,059,340
City of League City	247,670,000	03/31/25	2.84%	7,033,828
Dickinson Independent School District (a)	435,580,000	03/31/25	5.70%	24,828,060
Total Estimated Overlapping Debt.....				\$32,921,228
The District's Total Direct Debt (b)				28,440,000
Total Direct and Estimated Overlapping Debt				\$61,361,228

Direct and Estimated Overlapping Debt as a Percentage of:

2024 Certified Taxable Assessed Valuation of \$395,927,505	15.50%
Estimated Taxable Assessed Valuation as of March 1, 2025 of \$445,336,864	13.78%

(a) Approximately 37 acres of land within the District are located within Clear Creek Independent School District.

(b) Includes the Bonds and Outstanding Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see Estimated Overlapping Debt" above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2024 tax year by all taxing jurisdictions and the 2024 tax rate for the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	<u>Tax Rate per \$100 of Taxable Assessed Valuation</u>
Galveston County (Including Road and Flood).....	\$ 0.333500
Dickinson Independent School District.....	1.136000
College of the Mainland.....	0.267100
City of League City.....	0.369000
Total Overlapping Tax Rate.....	\$ 2.10560
The District (a).....	0.89000
Total Tax Rate.....	\$ 2.99560

(a) Approximately 37 acres within the District lie within Clear Creek Independent School District, which set its 2024 tax rate at \$0.9690 per \$100 of taxable assessed valuation, and outside the boundaries of the College of the Mainland creating a total tax rate for taxpayers in this area of \$2.56150 per \$100 of taxable assessed valuation.

TAX DATA

Debt Service Tax

The Board covenants in the Bond Orders to levy and assess, for each year that all or any part of the Bonds and Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See “—Historical Tax Rate” and “—Tax Roll Information” below and “TAXING PROCEDURES.”

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted November 2, 2004, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 of taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and the Outstanding Bonds. See “—Debt Service Tax” above. Since the District does not receive water and sewer revenues from its residents, the maintenance tax is the District's primary source of operating revenues.

Historical Tax Rate

	2024	2023	2022	2021	2020
Debt Service Tax	\$ 0.585	\$ 0.620	\$ 0.680	\$ 0.800	\$ 0.890
Maintenance and Operations Tax	0.305	0.280	0.250	0.180	0.110
Total District Tax Rate	\$ 0.890	\$ 0.900	\$ 0.930	\$ 0.980	\$ 1.000

Tax Exemptions

As discussed in the section titled “TAXING PROCEDURES” herein, certain property in the District may be exempt from taxation by the District. For tax year 2025, the District has exempted \$20,000 of the appraised value of resident homesteads for persons who are disabled or 65 years of age or older.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of 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 May 1 of that year, and that remain delinquent on April 1 (for personal property) or July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the Appraisal District. Reference is made to such statements and records for further and complete information. See “—Tax Roll Information” herein.

Tax Year	Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy (b)	Total Collections As of February 28, 2025 (c)	
				Amount	Percent
2020	\$ 248,359,476	\$ 1.00	\$ 2,483,595	\$ 2,481,781	99.93%
2021	310,792,708	0.98	3,045,769	3,042,899	99.91%
2022	352,250,549	0.93	3,275,930	3,269,668	99.81%
2023	377,229,469	0.90	3,395,065	3,377,213	99.47%
2024	395,927,505	0.89	3,523,755	3,395,762	96.37%

- (a) Net valuation represents taxable assessed value as certified by the appraisal District less any exemptions granted.
 (b) Represents actual tax levy, including any adjustments by the Appraisal District and including rollback taxes as of the date hereof.
 (c) Unaudited collections.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2020 through 2024 Certified Taxable Assessed Valuations. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. An accurate breakdown of the Estimated Taxable Assessed Valuation as of March 1, 2025 is not available as of the date hereof.

	2024 Certified Taxable Assessed Valuation	2023 Certified Taxable Assessed Valuation	2022 Certified Taxable Assessed Valuation	2021 Certified Taxable Assessed Valuation	2020 Certified Taxable Assessed Valuation
Land	\$ 57,915,956	\$ 52,877,071	\$ 52,102,520	\$ 51,313,660	\$ 47,644,470
Improvements	359,190,595	344,661,584	318,722,872	274,125,699	211,538,230
Personal Property	302,610	325,360	235,720	248,157	202,980
Exemptions	(21,481,656)	(20,634,546)	(18,810,563)	(14,894,808)	(11,026,204)
Total	<u>\$ 395,927,505</u>	<u>\$ 377,229,469</u>	<u>\$ 352,250,549</u>	<u>\$ 310,792,708</u>	<u>\$ 248,359,476</u>

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property and the principal taxpayer total as a percentage of the 2024 Certified Taxable Assessed Valuation of \$395,927,505, which represents ownership as of January 1, 2024. An accurate principal taxpayer list related to the Estimated Taxable Assessed Valuation as of March 1, 2025 (\$445,336,864) is not available as of the date hereof.

Taxpayer	2024 Certified Taxable Assessed Valuation	% of 2024 Certified Taxable Assessed Valuation
Wan Bridge Fund 115 DE LLC (a)	\$ 8,910,256	2.25%
TownHarbour Estates Development LP (b)	2,837,062	0.72%
Cerulean Holding LLC	2,354,179	0.59%
FKH SFR Propco K LP	2,158,206	0.55%
WB Birch LLC	2,071,627	0.52%
Lingo S7 LLC (b)	1,654,660	0.42%
Individual	1,166,845	0.29%
BT Parkside LLC	1,130,280	0.29%
K Hovnanian of Houston II LLC (c)	989,760	0.25%
Individual	704,559	0.18%
Total	<u>\$ 23,977,434</u>	<u>6.06%</u>

- (a) Owner of rental properties in the District. See "INVESTMENT CONSIDERATIONS—Rental Homes."
(b) See "THE DEVELOPERS AND MAJOR PROPERTY OWNERS."
(c) See "THE DISTRICT—Homebuilding."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the 2024 Certified Taxable Assessed Valuation of \$395,927,505 or the Estimated Taxable Assessed Valuation as of March 1, 2025 of \$445,336,864. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates.”

Average Annual Debt Service Requirement (2026-2037)	\$2,643,961
\$0.71 Tax Rate on the 2024 Certified Taxable Assessed Valuation	\$2,670,531
\$0.63 Tax Rate on the Estimated Taxable Assessed Valuation as of March 1, 2025	\$2,665,341
Maximum Annual Debt Service Requirement (2026).....	\$3,262,062
\$0.87 Tax Rate on the 2024 Certified Taxable Assessed Valuation	\$3,272,341
\$0.78 Tax Rate on the Estimated Taxable Assessed Valuation as of March 1, 2025	\$3,299,946

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of March 1, 2025 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See “TAXING PROCEDURES.”

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 an amount sufficient to pay the principal of and interest on the Bonds, Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Orders to levy such a tax from year-to-year as described more fully herein under “THE BONDS—Source of Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See “TAX DATA—Debt Service Tax” and “—Maintenance and Operations Tax.”

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the “Property Tax Code”) requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility for appraising property for all taxing units wholly within Galveston County, including the District. Such appraisal values are subject to review and change by the Galveston Central Appraisal Review Board (the “Appraisal Review Board”). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Galveston County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: 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; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For tax year 2024, the District has granted an exemption of

\$20,000 of assessed valuation for homesteads of persons 65 years of age or older and for certain disabled persons. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, 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.

Residential Homestead Exemptions: Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that 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. For tax year 2025, the District has not granted a general residential homestead exemption. See "TAX DATA."

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil 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 certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which 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. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it 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. 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 personal 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. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property but may choose to exempt same in the future by further official action.

Tax Abatement

Galveston County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, Galveston County, the City and the District, under certain circumstances, 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 appraised valuation of property covered by the agreement over its appraised 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 agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, all taxable property in the District (other than any qualifying agricultural or timber land) must be appraised by the Galveston Central Appraisal District at one hundred percent (100%) of market value as of January 1 of each year, subject to review and approval by the Appraisal Review Board. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited to 10 percent annually regardless of the market value of the property. Houses or lots held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. Valuation of lots or houses at inventory level in future years could reduce the assessed value of such property within the District. The Property Tax Code also requires the Chief Appraiser to reduce the market value of any property by the estimated cost of any remedial action by a property owner to correct, mitigate or prevent pollution.

Certain land may be appraised at less than market value under the Property Tax Code. Upon application of a landowner, land which qualifies as "open-space land" is appraised based on the category of land, using accepted income capitalization methods applied to the average net income derived from the use of the land for agriculture and hunting or recreational leases. Upon application of a landowner, land which qualifies as "timber land" is appraised based on the category of land, using accepted income capitalization methods applied to the average net income derived from the use of the land for production of timber. In either case, if the use of land changes, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the three (3) years preceding the year in which the change of use occurs and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of seven percent (7%) calculated from the dates on which the differences would have become due. There are also special appraisal methods for agricultural land owned by individuals whose primary occupation and income are farming and for recreational, park, and scenic land.

Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised 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.

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 petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. 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 comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, Texas law provides for an additional notice and, upon petition by qualified voters, an election which could result in the repeal of certain tax rate increases on residential homesteads. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only if (i) an error or omission of a representative of the District, including the Appraisal District, caused the failure of the taxpayer to pay taxes, (ii) the delinquent taxes are

paid on or before the one-hundred and eightieth (180th) day after the taxpayer received proper notice of such delinquency and the delinquent taxes relate to a property for which the appraisal roll lists one or more certain specified inaccuracies, or (iii) the taxpayer submits evidence sufficient to show that the tax payment was delivered before the delinquency, date to the United States Postal Service or other delivery service, but an act or omission of the postal or delivery service resulted in the tax payment being considered delinquent. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

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, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor 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: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For tax year **2024** the District is designated 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 against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, 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, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations and Foreclosure Remedies."

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City, Galveston County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "—Registered Owners' Remedies" herein.

Undeveloped Acreage

There are approximately 29 developable acres of land within the District (excluding approximately 37 acres under construction for the development of 105 single-family residential lots) that have not been fully provided with water, sanitary sewer, storm sewer, road and other facilities necessary for the construction of taxable improvements. The District makes no representation as to when or if development of the undeveloped acreage will occur or that the lot sales and building program will be successful. See "THE DISTRICT—Land Use" and "—Status of Development."

Rental Homes

There are 14 homes in Bay Colony Meadows West, Section Three, Phase II, 16 homes in Bay Colony Pointe West, Section Three, Phase II and 9 homes in Bay Colony Pointe West, Section Three, Phase III that are owned and operated as rental properties by Wan Bridge Fund 115 DE LLC. It is anticipated that Wan Bridge Fund 115 DE LLC will continue to be a principal taxpayer as long as Wan Bridge Fund 115 DE LLC continues to own such rental homes. See "TAX DATA—Principal Taxpayers."

Wan Bridge Fund 115 DE LLC, as the owner of such rental homes, is responsible for the payment of property taxes and maintenance of the homes .

Landowner Obligation to the District

There are no commitments from or obligations of the Developers or any landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land could restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds, continued development of taxable property within the District will increase or maintain its taxable value.

Economic Factors and Interest Rates

The majority of the taxable value of the District results from the current market value of single-family residences and of developed lots. The market value of such homes and lots is related to general economic conditions in the Houston region and the national economy and those conditions can affect the demand for residences. Demand for residential lots of this type and the construction of homes thereon can be significantly affected by factors such as interest rates, credit availability (see “Credit Market and Liquidity in the Financial Markets” below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity could tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on construction activity in the District, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the greater Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston or a decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District could be affected by competition from other residential developments located in the southern portion of the Houston metropolitan area. Such homes could represent additional competition for new homes proposed to be sold within the District. The competitive position of the Developers in the sale of single-family residential homes within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2024 Certified Taxable Assessed Valuation is \$395,927,505. After issuance of the Bonds, the maximum debt service requirement will be \$3,262,062 (2026), and the average annual debt service requirement will be \$2,643,961 (2026-2037, inclusive). Assuming no increase or decrease from the 2024 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.87 and \$0.71 per \$100 taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively. The Estimated Taxable Assessed Valuation as of March 1, 2025 is \$445,336,864, which reduces the above calculations to \$0.78 and \$0.63 per \$100 of taxable assessed valuation, respectively. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “TAX DATA—Tax Adequacy for Debt Service.”

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of March 1, 2025 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See “TAXING PROCEDURES.”

Potential Effects of Oil Price Volatility on the Houston Area

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. The District cannot predict the impact that negative conditions in the oil industry could have on property values within the District.

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the Engineer, approximately 215 homes in the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), 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 could be adversely affected.

Hurricanes

The Northern Tract and Southern Tract are located approximately two and one-half miles and ten miles west of Galveston Bay, respectively. Land located in this area could be susceptible to storm surge caused by a hurricane. Hurricanes can cause increased flooding, particularly in coastal areas such as the area where the District is located. Hurricanes can also cause windstorm and other damage, and hurricane induced flooding can submerge roadways connecting coastal areas such as the District with inland areas, thus preventing evacuations of persons or property. 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. Further, 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 Gulf Coast region in which the District is located is subject to occasional destructive weather. There can be no assurance the District will not endure damage from future meteorological events. See “—Extreme Weather Events” herein.

Specific Flood Type Risks

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

Riverine (or Fluvial) Flood: Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow overland. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam, levee or reservoir also could potentially create a flooding condition in rivers, bayous or man-made drainage systems (canals or channels) downstream.

Coastal (or Storm Surge) Flood: Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm’s wind, waves, and low atmospheric pressure. Storm surge is extremely dangerous, because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

Tax Collections Limitations and Foreclosure Remedies

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 local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the

proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners’ Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Orders, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Orders. Except for mandamus, the Bond Orders 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. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government’s sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Orders may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. After reimbursement with Bond proceeds, the District will continue to owe the Developers approximately \$10,400,000 plus interest for advances to construct the currently existing water, wastewater, storm drainage and parks and recreational facilities. The District expects to issue additional bonds in order to reimburse the Developers for a portion of their outstanding obligations and the cost of additional water, wastewater and storm drainage facilities constructed within the undeveloped portion of the District.

The District's voters have authorized the issuance of \$44,000,000 principal amount of unlimited tax bonds for the purpose of purchasing and/or constructing water, wastewater and storm drainage facilities and could authorize additional amounts. The District has also authorized \$44,000,000 principal amount of unlimited tax refunding bonds to refund or redeem its outstanding debt and \$2,800,000 principal amount of unlimited tax bonds to finance park and recreational facilities. After the issuance of the Series 2025 Bonds and Series 2025A Park Bonds, the District will have \$6,095,000 principal amount of unlimited tax bonds for the purpose of purchasing and/or constructing water, wastewater or storm drainage facilities authorized but unissued and no authorization will remain authorized but unissued for financing and/or constructing parks and recreational facilities. In addition, the District has \$43,255,510 principal amount of unlimited tax bonds for refunding purposes authorized but unissued. Voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for water, wastewater and storm drainage facilities and parks and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Environmental Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the 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 two separate federal ozone standards: the 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.

The HGB Area is currently designated as a "severe" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. 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 "serious" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. 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. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), 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 TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. In order to maintain MS4 Permit compliance, the District is partnering with the City of League City (the "City"), to participate in the City's program to develop, implement, and maintain the required plan (the "MS4 Permit Plan") as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City's MS4 Permit Plan in order to obtain MS4 Permit compliance with the TCEQ. If at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary to comply with the MS4 Permit.

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

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

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

Marketability of the Bonds

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

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025 and will conclude on June 2, 2025. The Governor of Texas may call additional special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, elections, and other matters which could adversely affect the District and also affect the marketability or market value of the Bonds. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions. While the enactment of future legislation in Texas could adversely affect the financial condition or operations of the District, the District does not anticipate that the security for payment of the Bonds, specifically, the District's obligation to levy an unlimited annual ad valorem tax, would be adversely affected by any such legislation.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations that relate to bond insurance.

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

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

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

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Orders on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See "TAX MATTERS."

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody's Investors Service ("Moody's") has assigned an underlying rating of " --" to the Bonds. An explanation of the rating may be obtained from Moody's. The rating fees of Moody's will be paid by the District; however, the fees associated with any other rating will be the responsibility of the applicable Underwriter.

Application has also been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the applicable Underwriter and at the applicable Underwriter's expense. The rating fees of Moody's will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the applicable Underwriter. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by Moody's, in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

Legal Opinion

The District will furnish the Underwriters a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the legal opinion of Bacon, Wallace & Philbin, L.L.P. ("Bond Counsel") to the effect that, (i) based upon an examination of such transcript, the Bonds are legal, valid and binding obligations of the District and are payable from the proceeds of an annual ad valorem tax, without limit as to rate or amount, levied on all taxable property in the District, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity and (ii) assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds, that interest on the Bonds is excludable from gross income for Federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under "TAX MATTERS—Tax Exemption" herein. Bond Counsel's opinion also addresses the matters described below under "TAX MATTERS—Tax Exemption." Such opinion expresses no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

In addition to serving as Bond Counsel, Bacon, Wallace & Philbin, L.L.P., also serves as General Counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds.

Legal Review

In its capacity as Bond Counsel, Bacon, Wallace & Philbin, L.L.P. has reviewed the information appearing in this OFFICIAL STATEMENT under the captions "THE BONDS," "THE DISTRICT—General," "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes the procedures and documents referred to therein and is in accordance with applicable state and federal law with regard to the sale of the Bonds. Such firm has not independently verified factual information contained in this OFFICIAL STATEMENT, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

No Material Adverse Change

The obligations of the Underwriters 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 from that set forth or contemplated in the PRELIMINARY OFFICIAL STATEMENT, as it may have been supplemented or amended through the date of sale.

No-Litigation Certificate

The District will furnish the Underwriters a certificate, executed by both the President and Secretary of the Board, and dated as of the Date of Delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation 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, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

Tax Exemption

On the date of initial delivery of the Bonds, Bacon, Wallace & Philbin, LLP, Attorneys at Law, Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") interest on the Bonds: (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code (the "Code"), of the owners thereof for federal income tax purposes; and (2) will not be included in the alternative minimum taxable income of individuals under section 57(a)(5) of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state, or local tax consequences of the purchase, ownership, or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) the District's no-arbitrage certificate, and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds, and certain other matters. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

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

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the underwriter of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the underwriter will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described under “—Tax Exemption.” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an underwriter in a different amount from the amount of the payment denominated as interest actually received by the underwriter during his taxable year.

Such interest, however, may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, “S” corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of interests in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the “Premium Bonds”) may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the underwriter of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such underwriter must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain or decrease the amount of any loss to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an underwriter is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the state and local tax consequences of owning Premium 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 for tax-exempt obligations issued in 2024.

The District will designate the Bonds as “qualified tax-exempt obligations” and has represented 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 2025 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2025.

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District’s records, the Developers, the Engineer, the Appraisal District and from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under “—Certification of Official Statement.” Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this OFFICIAL STATEMENT are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this OFFICIAL STATEMENT, the District has relied upon the following consultants.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District’s historical assessed value and principal taxpayers, including particularly such information contained in the section entitled “TAX DATA” has been provided by the Appraisal District and is included herein in reliance upon the authority of such entity as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled “THE DISTRICT,” “THE SYSTEM” and “THE PARK SYSTEM” has been provided by Gannett Fleming and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The financial statements of the District as of August 31, 2024, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s audited financial statements for the year ended August 31, 2024.

Bookkeeper: The information related to the “unaudited” summary of the District’s General Operating Fund as it appears in “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—General Operating Fund” has been provided by Municipal Accounts & Consulting L.P. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the Board has relied in part upon its examination of records of the District, and upon discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided 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 “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED),” except for “—Estimated Overlapping Debt,” “TAX DATA,” and in APPENDIX A (Independent Auditor’s Report and Financial Statements of the District and certain supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2025. Any financial statements 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 period 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 August 31. Accordingly, it must provide updated information by the last day of February 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 MRSB, 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 events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, 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 within the meaning of the Rule, 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 the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “financial obligation” and “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Orders make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “—Annual Reports.”

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access (“EMMA”) internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified 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 registered or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance With Prior Undertakings [TO BE CONFIRMED]

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12 with the following exceptions. Due to an oversight, the District failed to timely file notice of the downgrading of the insured “A3” rating to “Baa1” assigned to the Series 2016 Bonds by Moody's Investors Service on January 17, 2018. An events notice to this effect was given to EMMA on May 17, 2021. The District has implemented procedures to ensure timely filing of all future submissions.

MISCELLANEOUS

All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

/s/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of April 2025)

PHOTOGRAPHS OF THE DISTRICT
(As of April 2025)

APPENDIX A

The information contained in this appendix includes the Independent Auditor's Report and Financial Statements of Bay Colony West Municipal Utility District and certain supplemental information for the fiscal year ended August 31, 2024.