

**SOUTH SHORE HARBOUR
MUNICIPAL UTILITY DISTRICT NO. 7
(Galveston County, Texas)**

**OFFICIAL NOTICE OF SALE AND
PRELIMINARY OFFICIAL STATEMENT
DATED: November 14, 2023**

**\$4,200,000
UNLIMITED TAX BONDS
SERIES 2024**

**BIDS TO BE SUBMITTED:
8:30 A.M., Central Time
Tuesday, January 9, 2024**

**BIDS TO BE PRESENTED:
11:30 A.M., Central Time
Tuesday, January 9, 2024**



**Capital
Markets**

FINANCIAL ADVISOR

This Official Notice of Sale does not alone constitute an offer to sell, but is merely notice of sale of the bonds described herein. The offer to sell such bonds is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

OFFICIAL NOTICE OF SALE

\$4,200,000

SOUTH SHORE HARBOUR MUNICIPAL UTILITY DISTRICT NO. 7

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

**UNLIMITED TAX BONDS
SERIES 2024**

Bids Due by: January 9, 2024 at 8:30 A.M., Central Time

The Bonds are obligations solely of South Shore Harbour Municipal Utility District No. 7 (the "District"), and are not obligations of the State of Texas (the "State"), Galveston County, League City, or any entity other than the District.

THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

THE SALE

Bonds Offered for Sale at Competitive Bid: The Board of Directors (the "Board") of South Shore Harbour Municipal Utility District No. 7 (the "District") is offering for sale at competitive bid its Unlimited Tax Bonds, Series 2024 in the original principal amount of \$4,200,000 (the "Bonds").

Place and Time of Sale: The Board of Directors of South Shore Harbour Municipal Utility District No. 7 (the "District") will publicly receive bids on up to \$4,200,000 Unlimited Tax Bonds, Series 2024 (the "Bonds"), on Tuesday, January 9, 2024, at 8:30 A.M., Central Time, at the offices of the District's Financial Advisor, RBC Capital Markets, LLC, Attn: Loren Morales, 609 Main St., Suite 3600, Houston, Texas 77002. Any bid received after 8:30 A.M., Central Time, January 9, 2024, will not be accepted and will be returned unopened. At a Board of Directors meeting on Tuesday, January 9, 2024, at 11:30 A.M., Central Time, the Board will immediately take action to reject any and all bids or accept the bid resulting in the lowest net interest cost to the District. It is anticipated that said meeting will be held at 2525 South Shore Blvd., Suite 207B, League City, Texas 77573. Those wishing to attend the meeting by teleconference are able to do so. Please consult the public notice for said meeting for details regarding public access or alternate meeting location. The District reserves the right to postpone the bond sale, if needed.

Electronic Bidding Procedure: Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Bidders must submit, prior to 8:30 A.M., Central Time, January 9, 2024, SIGNED Official Bid Forms, in duplicate, to Loren Morales, RBC Capital Markets, LLC, 609 Main St., Suite 3600, Houston, Texas, 77002. Subscription to the i-Deal's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The District will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. Electronic bids must be received via PARITY in the manner described below, prior to 8:30 A.M., Central Time, January 9, 2024.

Electronic bids must be submitted via PARITY in accordance with this Official Notice of Sale, until 8:30 A.M., Central Time, and no bid will be received after the time for receiving bids specified above. An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District. The District shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of the Official Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from i-Deal, 395 Hudson Street, New York, New York 10014, (212) 806-8304.

For purposes of both the written bid process and the electronic bidding process, the time as maintained by PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the net effective interest rate to the District, as described under “CONDITIONS OF SALE – Basis of Award” below. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form.

Bids by Telephone: Bidders must submit, prior to 8:30 A.M., Central Time, January 9, 2024, duplicate SIGNED Official Bid Forms to Loren Morales, RBC Capital Markets, LLC, 609 Main St., Suite 3600, Houston, Texas 77002 and submit their bid by telephone on the date of sale. The District will not accept bids submitted by facsimile.

Late Bids and Irregularities . . . RBC Capital Markets, LLC is not authorized to receive and will not be responsible for the submission of any bids made after the time prescribed nor does the District or RBC Capital Markets, LLC assume any responsibility or liability with respect to any irregularities associated with the submission, transcription, delivery, or electronic transmission of any bid. The District reserves the right to waive any irregularity except time of bid.

Award of Bonds . . . The District will take action to award the Bonds or reject all bids promptly upon the Board of Directors reviewing and approving the bids. Upon awarding the Bonds, the District also will adopt the Order authorizing issuance of the Bonds (the “Bond Order”) and will approve the Official Statement. Sale of the Bonds will be made subject to the terms, conditions and provisions of the Order, to which reference is hereby made for all purposes, and subject to compliance with Texas Government Code §2252.908 as more fully described below.

Establishment of Issue Price . . . The winning bidder shall assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District at Closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the District and Bond Counsel.

The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

- (i) the District shall disseminate this Notice of Sale to potential Initial Purchasers in a manner that is reasonably designed to reach potential Initial Purchasers;
- (ii) all bidders shall have an equal opportunity to bid;
- (iii) the District may receive bids from at least three Initial Purchasers of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (iv) the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the District shall so advise the winning bidder. The District shall treat the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the District if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The District will not require bidders to comply with the “hold-the-offering-price rule” and therefore does not intend to use the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied. Bidders should prepare their bids on the assumption that all of the maturities of the Bonds will be subject to the 10% test in order to establish the issue price of the Bonds.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the District the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

By submitting a bid, each bidder confirms that: (i) any agreement among Initial Purchasers, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Initial Purchaser, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among Initial Purchasers relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Initial Purchaser that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such Initial Purchaser that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder or such Initial Purchaser and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an Initial Purchaser shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) “public” means any person other than an Initial Purchaser or a related party,
- (ii) “Initial Purchaser” means (A) any person that agrees pursuant to a written contract with the District (or with the lead Initial Purchaser to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a “related party” to an Initial Purchaser if the Initial Purchaser and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date that the Bonds are awarded by the Issuer to the winning bidder.

THE BONDS

Description of Bonds . . . The Bonds will be dated and interest on the Bonds will accrue from February 15, 2024 (the “Date of Delivery”) and be payable September 1, 2024, and semiannually thereafter on each March 1 and September 1 (each an “Interest Payment Date”) until the earlier of maturity or prior redemption. The Bonds will be delivered to the successful bidder (the “Initial Purchaser”) as one Bond for each maturity, in fully registered form, and may be exchanged for Bonds in the denomination of \$5,000 or any integral multiple thereof. Principal and semiannual interest will be paid by The Bank of New York Mellon Trust Company, N.A., (the “Paying Agent/Registrar”), at its corporate trust office in Houston, Texas. Principal and redemption price of the Bonds will be payable to the registered owners (“Registered Owners”) at maturity or earlier redemption upon presentation and surrender to the Paying Agent/Registrar. Interest on the Bonds will be payable by check or draft, dated as of the interest payment date, and mailed on each interest payment date by the Paying Agent/Registrar to each registered owner of record as of the Record Date. The Bonds mature serially on September 1 in the years and amounts shown below.

Due (9/1)	Principal Amount	Interest Rate	Due (9/1)	Principal Amount	Interest Rate
2025	\$410,000	_____ %	2030 ^(a)	\$480,000	_____ %
2026	420,000	_____ %	2031 ^(a)	490,000	_____ %
2027	440,000	_____ %	2032 ^(a)	515,000	_____ %
2028	450,000	_____ %	2033 ^(a)	530,000	_____ %
2029	465,000	_____ %			

(a) Bonds maturing on or after September 1, 2030, shall be subject to optional redemption in whole or from time to time in part on September 1, 2029, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest.

Redemption Provisions . . . The District reserves the right, at its option, to redeem Bonds maturing on or after September 1, 2030, in whole or from time to time in part in integral multiples of \$5,000 on September 1, 2029, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all the Bonds are redeemed, the District shall determine the maturity or maturities and the amounts thereof to be redeemed in integral multiples of \$5,000 within a maturity. If fewer than all of the Bonds within a maturity are redeemed, the particular Bonds or portions thereof to be redeemed shall be selected by the Paying Agent/Registrar by lot or random selection. See “THE BONDS – Redemption Provisions” in the Preliminary Official Statement.

Source and Security of Payment . . . The Bonds will constitute valid and legally binding obligations of the District, with principal and interest payable solely from the proceeds of a continuing, direct, annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property located within the District.

Other Terms and Covenants . . . Other terms of the Bonds and various covenants of the District contained in the Bond Order are described in the Preliminary Official Statement, to which reference is made for all purposes.

Municipal Bond Insurance and Ratings: . . . The District has made application to S&P Global Ratings (“S&P”) for an underlying rating on the Bonds, and S&P has assigned a rating of “_____.” If the Initial Purchaser chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by S&P may, at the election of the Initial Purchaser, be assigned to the Bonds based upon the understanding that upon delivery of the bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer.

An application has been made for a commitment to issue a policy of municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies except S&P, will be at the option and expense of the Initial Purchaser. The Initial Purchaser understands, by submission of its bid, that the Initial Purchaser is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings as is described below. See “General Considerations – Municipal Bond Rating And Insurance.”

CONDITIONS OF SALE

Types of Bids and Interest Rates . . . The Bonds will be sold in one block, all or none, and no bid of less than 97% of par value plus accrued interest to the Date of Delivery will be considered. Bidders must specify the rate or rates of interest the Bonds will bear, but no bid shall result in a net effective interest rate, as defined by Chapter 1204, Texas Government Code (the IBA method), of more than ____% will be considered (more than two percentage points (2%) above the highest "20 Bond Index" as reported by the "Bond Buyer" during the thirty (30) day period prior to the date of this OFFICIAL NOTICE OF SALE). The difference between the highest interest rate bid and the lowest interest rate bid shall not exceed 3%. Interest rates must be in multiples of 1/8 or 1/20 of 1%. Any number of interest rates and rate changes may be named, but graduating or declining interest rates within a maturity, split interest rates within a maturity, or supplemental or zero interest rates will not be acceptable. No bid generating a cash premium greater than \$5,000 will be accepted.

Serial Bonds and/or Term Bonds: Subject to the limitation in the following sentence, bidders have the option of specifying that the principal amount of the Bonds payable in any two or more consecutive years may, in lieu of maturing in each of such years, be combined into one or more term bonds. Term bonds may be used for any of the maturities in the years 2030 through 2033, both inclusive. Bidders may reestablish serial bonds following a term bond.

In the event that bidders choose to specify one or more term bonds, such term bonds will be subject to mandatory redemption by the District prior to their scheduled maturities on September 1 in the years and in the amounts set forth in the maturity schedule of the serial bonds. The term bonds, along with the serial bonds are subject to optional redemption on September 1, 2029, or any date thereafter, in whole or from time to time in part, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.

Basis of Award: For the purpose of awarding the sale of the Bonds, the interest cost of each bid will be computed by determining, at the rates specified therein, the total dollar value of all interest on the Bonds from the date thereof to their respective maturities and adding thereto the discount bid, if any. Subject to the District's right to reject any or all bids, sale of the Bonds will be awarded to the bidder (the "Initial Purchaser") whose bid, under the above computation, produces the lowest net interest cost to the District. The Board reserves the right to reject any or all bids. In the event of mathematical discrepancies between the interest rate(s) bid and the interest cost determined therefrom, as both appear on the Official Bid Form, the bid will be governed solely by the interest rate(s) named.

Good Faith Deposit: Each bid must be accompanied by a bank cashier's check payable to the order of "South Shore Harbour Municipal Utility District No. 7" in the amount of \$84,000, which represents two percent (2%) of the principal amount of the Bonds. Only bank cashier checks will be accepted; no "Official Bank Checks" will be accepted. The check will be considered as a Good Faith Deposit, and the check of the successful bidder will be retained uncashed by the District until the Bonds are delivered. In the event the Initial Purchaser should fail or refuse to accept delivery of and pay for the Bonds in accordance with its bid, or if it is determined that after the acceptance of its bid by the District that the Initial Purchaser was found not to satisfy the requirements described below under "Standing Letter Requirement" herein, and as a result, the Office of the Attorney General of Texas (the "Attorney General") will not deliver its approving opinion of the Bonds, then the Good Faith Deposit shall be cashed and the proceeds accepted by the District as full and complete liquidated damages against the Initial Purchaser.

The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately. If submitted separately, it shall be made available to the District prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn to authorize its use as a Good Faith Deposit by the bidder, who shall be named in such instructions. Upon payment for and delivery of the Bonds, the Good Faith Deposit will be returned uncashed. No interest will be paid on the Good Faith Deposit. The checks accompanying bids other than the winning bid will be returned immediately after the bids are opened and an award of the Bonds has been made.

Provision of Texas Ethics Commission Form 1295 ("TEC Form 1295") by Bidders: Pursuant to Texas Government Code § 2252.908 (the "Interested Party Disclosure Act" or the "Act"), the District may not award the Bonds to a bidder unless the bidder, and each syndicate member listed on the Official Bid Form, unless such bidder or syndicate member is either exempt from such requirements pursuant to Texas Government Code § 2252.908(c)(4) or has provided to the District (c/o RBC Capital Markets, LLC, 609 Main St., Suite 3600, Houston, Texas, 77002, Attn: Loren Morales, loren.morales@rbccm.com) a completed and signed TEC Form 1295 which has been assigned a certificate number by the Texas Ethics Commission (the "TEC"). Pursuant to the rules prescribed by the TEC, the TEC Form 1295 must be completed online through the TEC's website, assigned a certificate number, printed, and signed, and provided to the District. The TEC Form 1295 may accompany the Official Bid Form or may be submitted

separately, but must be provided to the District prior to the time prescribed for the award of the Bonds. The TEC Form 1295 may be provided to the District electronically, however, the original signed and notarized TEC Form 1295 complete with certificate number must be physically delivered to the District (C/O Bacon, Wallace & Philbin LLP, P.C., 6363 Woodway Dr., Suite 800 Houston, Texas 77057–1792) within two business days of the award. Following the award of the Bonds, the District will notify the TEC of the receipt of the completed TEC Form 1295 from the winning bidder. The District reserves the right to reject any bid that does not comply with the requirements prescribed herein. For purposes of completing the TEC Form 1295, the entity’s name is “South Shore Harbour Municipal Utility District No. 7” and the contract ID number is SSHMUD7 – S2024 – B. Neither the District nor its consultants have the ability to verify the information included in a TEC Form 1295, and neither have an obligation nor undertake responsibility for advising any bidder with respect to its exemption from the requirement of the Act or the proper completion of the TEC Form 1295. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to either confirm its exemption from the requirements of the Act or submit the completed form promptly upon notification from the District that its bid is the apparent winning bid.

Compliance with Laws Prohibiting Contracts with Certain Companies . . . The District will not award the Bonds to a bidder unless the bidder verifies on behalf of itself and each syndicate member listed on the Official Bid Form that, to the extent the Official Bid Form represents a contract for goods or services within the meaning of Section 2271.002 of the Texas Government Code, as amended, solely for purposes of Chapter 2271 of the Texas Government Code, and except to the extent otherwise required by applicable federal law, at the time of execution and delivery of its bid and through the Date of Delivery of the Bonds, neither the bidder nor a syndicate member listed on the Official Bid Form is a Company¹ that boycotts or will boycott Israel. The terms “boycotts Israel” and “boycott Israel” as used in this paragraph have the meaning assigned to the term “boycott Israel” in Section 808.001 of the Texas Government Code, as amended.

Additionally, the District will not award the Bonds to a bidder unless the bidder certifies that, to the extent the Official Bid Form represents a governmental contract within the meaning of Section 2252.151 of the Texas Government Code, as amended, solely for purposes of Chapter 2252 of the Texas Government Code, and except to the extent otherwise required by applicable federal law, at the time of execution and delivery of its bid, neither the bidder nor a syndicate member listed on the Official Bid Form is a Company² (i) that engages in business with Iran, Sudan, or any foreign terrorist organization as described in Chapter 2270 of the Texas Government Code, or Subchapter F of Chapter 2252 of the Texas Government Code, or (ii) listed by the Texas Comptroller of Public Accounts under Section 2270.0201 or 2252.153 of the Texas Government Code. The term “foreign terrorist organization” as used in this paragraph has the meaning assigned to such term in Section 2252.151 of the Texas Government Code.

Additionally, the District will not award the Bonds to a bidder unless the bidder verifies on behalf of itself and each syndicate member listed on the Official Bid Form that, to the extent the Official Bid Form represents a contract for goods or services within the meaning of Section 2274.002 of the Texas Government Code (as added by Senate Bill 13, 87th Texas Legislature, Regular Session), as amended, solely for purposes of Chapter 2274 of the Texas Government Code, and except to the extent otherwise required by applicable Texas or federal law, at the time of execution and delivery of its bid and through the Date of Delivery of the Bonds, neither the bidder nor a syndicate member listed on the Official Bid Form is a Company¹ that boycotts or will boycott energy companies. The terms “boycotts energy companies” and “boycott energy companies” shall have the meaning assigned to the term “boycott energy company” in Section 809.001 of the Texas Government Code, as amended.

¹ “Company” means a for-profit organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, or limited liability company, including a wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations that exists to make a profit, but does not mean a sole proprietorship.

² “Company” means a sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association whose securities are publicly traded, including a wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations, that exists to make a profit.

Additionally, the District will not award the Bonds to a bidder unless the bidder verifies on behalf of itself and each syndicate member listed on the Official Bid Form that, to the extent the Official Bid Form represents a contract for the purchase of goods or services within the meaning of Section 2274.002 of the Texas Government Code (as added by Senate Bill 19, 87th Texas Legislature, Regular Session, “SB 19”), as amended, solely for purposes of Chapter 2274 of the Texas Government Code, and except to the extent otherwise required by applicable Texas or federal law, at the time of execution and delivery of its bid and through the Date of Delivery of the Bonds, neither the bidder nor a syndicate member listed on the Official Bid Form is a Company² that has a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association or will discriminate against a firearm entity or firearm trade association. The term “discriminates against a firearm entity or firearm trade association” as used in this paragraph has the meaning assigned to the term “discriminate against a firearm entity or firearm trade association” in Section 2274.001(3) of the Texas Government Code (as added by SB 19).

In submitting a bid, bidder represents to the District that it and each syndicate member listed on the OFFICIAL BID FORM, if any, (i) has filed a standing letter with the Attorney General of Texas and the Municipal Advisory Council of Texas that conforms to the requirements of the Office of the Attorney General of Texas, (ii) has no reason to believe that the District may not be entitled to rely on such standing letters through the Date of Delivery of the Bonds. In addition, as required under the All Bond Counsel Letter of the Office of the Attorney General (the “OAG”) dated April 27, 2022, the winning bidder and each syndicate member listed on an Official Bid Form shall immediately notify the District if its Standing Letter is under review by the Texas Comptroller of Public Accounts (the “Comptroller”) pursuant to Section 809.051 of the Texas Government Code (a “bidder under review”). If such Standing Letter becomes subject to review as described above, at any time prior to the date of delivery of the Bonds upon request of the District or Bond Counsel, the bidder under review shall provide the District or Bond Counsel with written confirmation to the effect that (i) it and/or its affiliate intends to timely comply with the Comptroller’s request for written verification pursuant to Chapter 809 of the Texas Government Code and (ii) the applicable Standing Letter remains in effect and may be relied upon by the District and the OAG. The District and Bond Counsel may provide such written certifications to the OAG in connection with the issuance of the Bonds. To the extent the date of delivery of the Bonds occurs before the end of the Comptroller’s review period pursuant to Section 809.051 of the Texas Government Code, and the bidder under review is unable to satisfy the OAG or Comptroller’s verifications or certifications as described above, the District, pursuant to the All Bond Counsel Letter of the OAG dated April 27, 2022, reserves the right to find a replacement purchaser for the Bonds. Furthermore, the District may cash and accept the Good Faith Deposit as full and complete liquidated damages as result of the inability of the bidder under review to make the verification described in the paragraph. The District shall be under no further liability and no other penalty as a result of such replacement as described above. Bidders are further advised that the award of the Bonds is conditioned upon compliance by the bidder, each syndicate member listed on the OFFICIAL BID FORM, and the provider of municipal bond insurance for the Bonds, if any and if required, with any rules and requirements of the Office of the Attorney General of Texas related to the filing of standing letters supporting the verifications and certifications herein, and that compliance with such rules and requirements has been confirmed by the District, either by its receipt of a copy of any required standing letters with the OFFICIAL BID FORM prior to the time prescribed for award of the Bonds or such other means as is reasonably determined by the District. A form of standing letter may be obtained through the website of the Office of the Attorney General of Texas at [Procedures for Standing Letters Under Review](#).

Contracting Information. . . The District will not award the Bonds to a bidder unless the bidder verifies on behalf of itself and each syndicate member listed on the Official Bid Form that, to the extent the Official Bid Form represents a contract for goods or services within the meaning of Section 552.371 of the Texas Government Code, as amended, the bidder and each syndicate member listed on the Official Bid Form will (i) preserve all contracting information related to the bid as provided by the records retention requirements applicable to the District through the Date of Delivery of the Bonds, (ii) promptly provide to the District any contracting information related to the bid that is in the custody or possession of the bidder or any syndicate member on request of the District, and (iii) upon delivery of the Bonds to the bidder, either (a) provide at no cost to the District all contracting information related to the bid that is in the custody or possession of the bidder or any syndicate member or (b) preserve the contracting information related to the bid as provided by the records retention requirements applicable to the District. The term “contracting information” as used in this paragraph has the meaning assigned to such term in Section 552.003 of the Texas Government Code.

Competitive Bidding and Certificate of Initial Purchaser . . . In the event that the District does not receive sufficient qualified bids to satisfy the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i), allowing the District to treat the reasonably expected initial offering price to the public as of the sale date as the issue price of the Bonds, the “hold-the-offering-price rule” shall apply, which will allow the District to treat the initial offering price to the public of each maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule applies to any maturity of the Bonds, the Initial Purchaser will neither offer nor sell that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following: (i) the date on which the Initial Purchaser has sold at least 10 percent (10%) of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public or (ii) the close of the fifth business day after the sale date. The Initial Purchaser agrees to promptly report to the District’s financial advisor when it has sold 10 percent (10%) of a maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public if that occurs prior to the close of the fifth business day after the sale date. Alternative Certificates of Initial Purchaser are attached for use (a) when the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i) are met and (b) when such requirements are not met.

Rule G-36 Requirements . . . It is the responsibility of the Initial Purchaser to comply with the Municipal Securities Rule Making Board’s Rule G-36 within the required time frame.

OFFICIAL STATEMENT

By accepting the winning bid, the District agrees to the following representations and covenants to assist the Initial Purchaser in complying with Rule 15c2-12 of the Securities and Exchange Commission (“SEC”).

Final Official Statement . . . The District has prepared the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but will not prepare any other document or version for such purpose, except as described below. The District will be responsible for completing the Official Statement by inserting the interest rates bid, the purchase price bid, any ratings assigned to the Bonds (if not currently included), the purchase of municipal bond insurance and the initial public offering yields as set forth in the Official Bid Form, or otherwise supplied by the Initial Purchaser, and for preparing and inserting the final debt service schedule. The District does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. Accordingly, the District deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of SEC Rule 15c2-12(b)(1), except for the omission of the foregoing items. Notwithstanding the foregoing, the only representations concerning the absence of material misstatements or omissions from the Official Statement which are or will be made by the District are those described in the Official Statement under “OFFICIAL STATEMENT – Certification as to Official Statement.”

Changes to Official Statement . . . If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described below. See “DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS – Conditions to Delivery.” The obligation of the District to do so will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not for more than 90 days after the sale date) until all of the Bonds have been sold to ultimate customers.

Delivery of Official Statements . . . The District will furnish to the Initial Purchaser (and to each other participating Initial Purchaser of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Initial Purchaser), within seven business days after the sale date, the aggregate number of Official Statements specified in the winning bid in sufficient quantity to comply with Rule 15c2-12(b)(4). The District will also furnish to the Initial Purchaser a like number of any supplement or amendment prepared by the District for dissemination to potential purchasers of the Bonds as described above as well as such additional copies of the Official Statement or any supplement or amendment as the Initial Purchaser may request prior to earlier of (i) 90 days after the end of the underwriting period (as described in SEC Rule 15c2-12(f)(2)) or (ii) the time the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the end of the underwriting period. The District will pay the expense of preparing the number of copies of the Official Statement specified in the winning bid and an equal number of copies of any

supplement or amendment issued on or before the Date of Delivery, but the Initial Purchaser must pay for all other copies of the Official Statement or any supplement or amendment thereto.

Continuing Disclosure . . . The District will agree in the Bond Order to provide certain periodic information and notices of certain specified events in accordance with SEC Rule 15c2-12, as described in the Preliminary Official Statement under “CONTINUING DISCLOSURE OF INFORMATION.” The Initial Purchaser’s obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser of the certified copy of the Bond Order containing the agreement described under such heading.

Compliance with Prior Undertakings . . . During the last five years, the District has complied in all material respects with its previous continuing disclosure undertakings made in accordance with SEC Rule 15c2-12.

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

Initial Delivery of Initial Bonds . . . Initial delivery (“Initial Delivery”) will be accomplished by the issuance of one initial bond in the principal amount of the Bonds, payable in stated installments (the “Initial Bond”), either in typed or printed form, registered in the name of Cede & Co., manually signed or signed by facsimile by the President or Vice President and Secretary or Assistant Secretary of the Board, or executed by such facsimile signatures and approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of Texas or his authorized deputy. After delivery of the Initial Bonds, they shall be immediately cancelled and one definitive Bond for each maturity will be registered and delivered only to Cede & Co. and deposited with DTC in connection with DTC’s Book-Entry-Only System. See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement. Initial Delivery will be at the principal corporate trust office of the Paying Agent/Registrar in Houston, Texas on or about February 15, 2024. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Initial Purchaser will be given five (5) business days’ notice of the time fixed for delivery of the Bonds. It is anticipated that Initial Delivery can be made on or about February 15, 2024, and, subject to the aforementioned notice, it is understood and agreed that the Initial Purchaser will accept delivery of and make payment for the Bonds by 10:00 A.M., Central Time, February 15, 2024, or thereafter on the date the Bonds are tendered for delivery, up to and including March 15, 2024. If for any reason the District is unable to make delivery on or before March 15, 2024, then the District shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend its offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within six (6) business days thereafter, then its Good Faith Deposit will be returned, and both the District and the Initial Purchaser shall be relieved of any further obligation.

Delivery of Exchange Bonds . . . Upon presentment of the Initial Bond and upon payment for the Initial Bond at the time of the Initial Delivery, the Paying Agent/Registrar shall cancel the Initial Bond and deliver the exchange Bonds in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity registered in the name of Cede & Co. through the Book-Entry-Only System of the DTC. It is understood that all costs and expenses for the shipping, packing, insuring and delivery of the exchange Bonds shall be borne by the Initial Purchaser if the Initial Purchaser requests delivery of the exchange Bonds at any location other than the corporate trust office of the Paying Agent/Registrar.

CUSIP Numbers . . . It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this OFFICIAL NOTICE OF SALE. CUSIP identification numbers will be made available to the Initial Purchaser at the time the Bonds are awarded or as soon thereafter as practicable. The CUSIP Global Services charge for the assignment of the numbers shall be the responsibility of and shall be paid by the Initial Purchaser.

Conditions to Delivery . . . The Initial Purchaser’s obligation to accept delivery of and pay for the Bonds is subject to the issuance of the legal opinion of the Attorney General of Texas as to the legality of the Bonds, and the legal opinion of Bacon, Wallace & Philbin LLP (“Bond Counsel”), the No-Litigation Certificate, and the non-occurrence of the events indicated under “No Material Adverse Change” all as described below.

Legal Opinions . . . The District will furnish without cost to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount upon all taxable property in the District. The District will also furnish the approving legal opinion of Bacon, Wallace & Philbin LLP, Bond Counsel, Houston, Texas, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State, except to the extent that enforcement of the rights and remedies of the holders of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes without limitation as to rate or amount, against taxable property within the District, and that the interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date of such opinion assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See “LEGAL MATTERS” in the Preliminary Official Statement. Such opinions express no opinion with respect to the sufficiency of the security for or marketability of the Bonds. The opinion of Bond Counsel is expected to be reproduced on the back panel of the Bonds over a certification by facsimile of the Secretary of the Board of Directors attesting that such opinion was dated as of the date of delivery of and payment for the Bonds and that such reproduction is a true and correct copy of the original opinion. Errors or omissions in the printing of such legal opinion on any Bond shall not constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds.

No-Litigation Certificate . . . The District will furnish the Initial Purchaser a certificate executed by both the President or Vice-President and Secretary or Assistant Secretary of the Board, 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, the Master District Contract, the levy and/or collection of the funds from which the Bonds are payable, or the organization or boundaries of the District or the title of the offices thereof to their respective offices.

No Material Adverse Change . . . The obligation of the District to deliver the Bonds and of the Initial Purchaser to accept delivery of and pay for the Bonds are subject to the condition that to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the conditions of the District (financial or otherwise) from those set forth in or contemplated by the PRELIMINARY OFFICIAL STATEMENT, as it may have been supplemented or amended through the date of sale.

GENERAL CONSIDERATIONS

Book-Entry-Only System . . . The District intends to utilize the Book-Entry-Only System of the DTC. See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.

Future Registration . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred, registered and exchanged only on the registration books of the Paying Agent/Registrar, and such registration shall be at the expense of the District, although the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of any Bond. A Bond may be transferred or exchanged upon surrender to the Paying Agent/Registrar accompanied by a written instrument of transfer acceptable to the Paying Agent/Registrar duly executed by the registered owner thereof or his attorney duly authorized in writing. Upon surrender for transfer of any Bond to the Paying Agent/Registrar, the Paying Agent/Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same stated maturity and of any authorized denomination and of a like aggregate principal amount.

Investment Considerations . . . The Bonds involve certain Investment Considerations. Prospective bidders are urged to examine carefully the entire Preliminary Official Statement, made a part hereof, with respect to the investment security of the Bonds. Particular attention should be given to the information set forth therein under the caption “INVESTMENT CONSIDERATIONS.”

Reservation of Rights . . . The District reserves the right to reject any and all bids and to waive any and all irregularities except time of filing.

Not an Offer to Sell . . . This Official Notice of Sale does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form.

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

The District will designate the Bonds as “qualified tax-exempt obligations” and will represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2024 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 2024.

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

Municipal Bond Rating and Insurance . . . Applications have been made for a commitment to issue a policy of municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, will be at the option of the Initial Purchaser. The Initial Purchaser understands, by submission of its bid, that the Initial Purchaser is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, and the ratings to be assigned to the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy.

The District has made application to S&P Global Ratings (“S&P”) for an underlying rating on the outstanding debt of the District and S&P has assigned a rating of “_____”. If the Initial Purchaser chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by S&P, may at the election of the Initial Purchaser be assigned the Bonds based upon the understanding that upon delivery of the Bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer.

Registration and Qualification of Bonds for Sale . . . The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, or under the Securities Act of Texas in reliance upon the exemptions provided thereunder; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for the 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. By submission of its bid, the Initial Purchaser represents that the sale of the Bonds in states other than the State will be made pursuant to exemptions from registration or qualification, or where necessary, the Initial Purchaser will register the Bonds in accordance with the securities laws of the state in which the Bonds are offered or sold. The District agrees to cooperate with the Initial Purchaser, at the Initial Purchaser's written request and expense, in registering or qualifying the Bonds or obtaining an exemption from registration or qualification (other than filing a consent to service of process in such state), in any state where such action is necessary.

Severability . . . In case any provision herein, or application thereof, shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions or applications shall not in any way be affected or impaired thereby.

Additional Copies of Documents . . . Additional copies of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form may be obtained from the Financial Advisor, RBC Capital Markets, LLC, 609 Main St., Suite 3600, Houston, Texas 77002.

/s/ Steven Day
President, Board of Directors
South Shore Harbour Municipal Utility District No. 7

ATTEST:

/s/ Cindy Pratt
Secretary, Board of Directors
South Shore Harbour Municipal Utility District No. 7

OFFICIAL BID FORM

President and Board of Directors
South Shore Harbour Municipal Utility District No. 7
c/o Bacon, Wallace & Philbin LLP
6363 Woodway Dr., Suite 800
Houston, Texas 77057-1792

Directors:

We have read in detail the Official Notice of Sale and Preliminary Official Statement of South Shore Harbour Municipal Utility District No. 7 (the “District”) relating to its \$4,200,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”), which by reference are made a part hereof. We recognize the special investment risks involved in these securities, and have made such inspections and investigations as we deem necessary in order to evaluate the investment quality of the Bonds. Accordingly, we offer to purchase the District’s legally issued Bonds, upon the terms and conditions set forth in the Bond Order, the Official Notice of Sale and the Preliminary Official Statement, for a cash price of \$_____ (which represents _____% of the principal amount thereof) to the date of delivery of the Bonds to us, provided such Bonds mature September 1 and bear interest in each year at the following rates:

Due (9/1)	Principal Amount	Interest Rate	Due (9/1)	Principal Amount	Interest Rate
2025	\$410,000	_____%	2030 ^(a)	\$480,000	_____%
2026	420,000	_____%	2031 ^(a)	490,000	_____%
2027	440,000	_____%	2032 ^(a)	515,000	_____%
2028	450,000	_____%	2033 ^(a)	530,000	_____%
2029	465,000	_____%			

(a) Bonds maturing on or after September 1, 2030, shall be subject to optional redemption in whole or from time to time in part on September 1, 2029, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest.

Our calculation (which is not a part of this bid) of the interest cost from the above bid is:

Total Interest Cost.....	\$ _____
Plus: Cash Discount	\$ _____
Net Interest Cost	\$ _____
Net Effective Interest Rate.....	_____ %

Of such principal maturities set forth above, we have created term bonds as indicated in the following table (which may include multiple term bonds, one term bond, or no term bonds if none is indicated.) For those years which have been combined into a term bond, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years. The term bonds created are as follows:

[illegible]

The initial and definitive bonds shall be registered in the name of Cede & Co. and delivered through the Book-Entry-Only System of the Depository Trust Company.

Cashier's Check No. _____, issued by _____ Bank, _____, Texas and payable to your order in the amount of \$84,000 (is attached hereto) (has been made available to you prior to the opening of this bid) as the Good Faith Deposit for disposition in accordance with the terms and conditions set forth in the Official Notice of Sale. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions of such Official Notice of Sale, such check shall be cashed and the proceeds retained as complete liquidated damages against us. We hereby represent that sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification and that, where necessary, we will register or qualify the Bonds in accordance with the securities laws of the states in which the Bonds are offered or sold.

Unless the bidder is exempt from such requirements pursuant to the Texas Government Code § 2252.908(c)(4), the District may not accept this bid until it has received from the bidder a completed and signed TEC Form 1295 complete with a certificate number assigned by the Texas Ethics Commission ("TEC"), pursuant to Texas Government Code § 2252.908 and the rules promulgated thereunder by the TEC. The undersigned understands that failure to provide said form complete with a certificate number assigned by the TEC as provided for in the Official Notice of Sale will result in a non-conforming bid and will prohibit the District from considering this bid for acceptance.

By executing this Official Bid Form, the bidder represents and verifies that, to the extent this Official Bid Form represents a contract for goods or services within the meaning of Section 2271.002 of the Texas Government Code, as amended, solely for purposes of Chapter 2271 of the Texas Government Code, and except to the extent otherwise required by applicable federal law, at the time of execution and delivery of its bid and through the Date of Delivery of the Bonds, neither the bidder nor a syndicate member listed on the Official Bid Form is a Company¹ that boycotts or will boycott Israel. The terms "boycotts Israel" and "boycott Israel" as used in this paragraph have the meaning assigned to the term "boycott Israel" in Section 808.001 of the Texas Government Code, as amended.

Additionally, by executing this Official Bid Form, the bidder also represents and certifies that, to the extent the Official Bid Form represents a governmental contract within the meaning of Section 2252.151 of the Texas Government Code, as amended, solely for purposes of Chapter 2252 of the Texas Government Code, and except to the extent otherwise required by applicable federal law, at the time of execution and delivery of its bid, neither the bidder nor a syndicate member listed on the Official Bid Form is a Company² (i) that engages in business with Iran, Sudan, or any foreign terrorist organization as described in Chapter 2270 of the Texas Government Code, or Subchapter F of Chapter 2252 of the Texas Government Code, or (ii) listed by the Texas Comptroller of Public Accounts under Section 2270.0201 or 2252.153 of the Texas Government Code. The term "foreign terrorist organization" as used in this paragraph has the meaning assigned to such term in Section 2252.151 of the Texas Government Code. The undersigned agrees to execute, at the request of the District, further written certifications as may be necessary or convenient for the District to establish compliance with these laws.

Additionally, by executing this Official Bid Form, the bidder also represents and verifies that, to the extent this Official Bid Form represents a contract for goods or services within the meaning of Section 2274.002 of the Texas Government Code (as added by Senate Bill 13, 87th Texas Legislature, Regular Session), as amended, solely for purposes of Chapter 2274 of the Texas Government Code, and except to the extent otherwise required by applicable Texas or federal law, at the time of execution and delivery of its bid and through the Date of Delivery of the Bonds, neither the bidder nor a syndicate member listed on the Official Bid Form is a Company¹ that boycotts or will boycott energy companies. The terms "boycotts energy companies" and "boycott energy companies" as used in this paragraph have the meaning assigned to the term "boycott energy company" in Section 809.001 of the Texas Government Code, as amended.

Additionally, by executing this Official Bid Form, the bidder also represents and verifies that, to the extent this Official Bid Form represents a contract for the purchase of goods or services within the meaning of Section 2274.002 of the Texas Government Code (as added by Senate Bill 19, 87th Texas Legislature, Regular Session, "SB 19"), as amended, solely for purposes of Chapter 2274 of the Texas Government Code, and except to the extent otherwise required by

¹ "Company" means a for-profit organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, or limited liability company, including a wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations that exists to make a profit, but does not mean a sole proprietorship.

² "Company" means a sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association whose securities are publicly traded, including a wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations, that exists to make a profit.

applicable Texas or federal law, at the time of execution and delivery of its bid and through the Date of Delivery of the Bonds, neither the bidder nor a syndicate member listed on the Official Bid Form is a Company¹ that has a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association or will discriminate against a firearm entity or firearm trade association. The term “discriminates against a firearm entity or firearm trade association” as used in this paragraph has the meaning assigned to the term “discriminate against a firearm entity or firearm trade association” in Section 2274.001(3) of the Texas Government Code (as added by SB 19).

By submitting a bid, the bidder makes and certifies to the representations necessary and convenient for the compliance with the aforementioned laws and, at the request of District, agrees to execute further written certifications as may be necessary or convenient for District to establish compliance with the aforementioned laws.

Additionally, by executing this Official Bid Form, the bidder also represents and certifies that, to the extent the Official Bid Form represents a contract for goods or services within the meaning of Section 552.371 of the Texas Government Code, as amended, the bidder and each syndicate member listed on the Official Bid Form will (i) preserve all contracting information related to the bid as provided by the records retention requirements applicable to the District through the Date of Delivery of the Bonds, (ii) promptly provide to the District any contracting information related to the bid that is in the custody or possession of the bidder or any syndicate member on request of the District, and (iii) upon delivery of the Bonds to the bidder, either (a) provide at no cost to the District all contracting information related to the bid that is in the custody or possession of the bidder or any syndicate member or (b) preserve the contracting information related to the bid as provided by the records retention requirements applicable to the District. The term “contracting information” as used in this paragraph has the meaning assigned to such term in Section 552.003 of the Texas Government Code.

The undersigned agrees to complete, execute, and deliver to the District, by the date of delivery of the Bonds, a certificate relating to the “issue price” of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District.

We agree to make payment for the Initial Bond in immediately available funds at the offices of The Bank of New York Mellon Trust Company, N.A., in Houston, Texas, not later than 10:00 A.M. Central Time, on February 15, 2024, or thereafter on the date the Bonds are tendered for delivery pursuant to the terms set forth in the Official Notice of Sale.

(Syndicate members, if any)

Respectfully submitted,

By:

Authorized Representative

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby accepted by South Shore Harbour Municipal Utility District No. 7 this _____ day of _____, 2024.

ATTEST:

Secretary, Board of Directors

President, Board of Directors

**CERTIFICATE OF INITIAL PURCHASER – FEDERAL INCOME TAX COMPETITIVE BIDDING
REQUIREMENTS MET**

The undersigned hereby certifies as follows with respect to the sale of \$4,200,000 South Shore Harbour Municipal Utility District No. 7 Unlimited Tax Bonds, Series 2024 (the “Bonds”):

1. The undersigned is the Initial Purchaser or the manager of the syndicate of Initial Purchasers (the “Initial Purchaser”) that has purchased the Bonds from South Shore Harbour Municipal Utility District No. 7 (the “District”) at competitive sale.
2. The Initial Purchaser was not given the opportunity to review other bids prior to submitting its bid, and the bid submitted by the Initial Purchaser constituted a firm bid to purchase the Bonds.
3. As of the sale date, the reasonably expected initial offering prices of the Bonds to the public by the Initial Purchaser (expressed as a percentage of principal amount and exclusive of accrued interest) is as set forth below:

Due (9/1)	Principal Amount	Interest Rate	Due (9/1)	Principal Amount	Interest Rate
2025	\$410,000	_____ %	2030 ^(a)	\$480,000	_____ %
2026	420,000	_____ %	2031 ^(a)	490,000	_____ %
2027	440,000	_____ %	2032 ^(a)	515,000	_____ %
2028	450,000	_____ %	2033 ^(a)	530,000	_____ %
2029	465,000	_____ %			

(a) Subject to optional redemption in whole or in part on September 1, 2029 or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest.

4. The Initial Purchaser [has] [has not] purchased bond insurance for the Bonds. The bond insurance has been purchased from _____ (the “Insurer”) for a fee of \$_____ (net of any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arms-length charge for the transfer of credit risk. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that had not been earned.

5. The term “public” means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an Initial Purchaser or a related party to an Initial Purchaser. A related party generally means two or more persons with greater than 50 percent common ownership, directly or indirectly.

6. Sale date means the first date on which there is a binding contract in writing for the sale of the Bonds. The sale date of the Bonds is February 15, 2024.

7. The undersigned understands that the statements made herein will be relied upon by the District and Bacon, Wallace & Philbin LLP in complying with the conditions imposed by the Internal Revenue Code of 1986, as amended, on the exclusion of interest on the Bonds from the gross income of their owners for federal income tax purposes.

EXECUTED and DELIVERED this _____ day of _____, 2024.

(Name of Initial Purchaser or Manager)

By: _____

Title: _____

CERTIFICATE OF INITIAL PURCHASER – FEDERAL INCOME TAX COMPETITIVE BIDDING REQUIREMENTS NOT MET

The undersigned hereby certifies as follows with respect to the sale of \$4,200,000 South Shore Harbour Municipal Utility District No. 7 Unlimited Tax Bonds, Series 2024 (the “Bonds”):

1. The undersigned is the Initial Purchaser or the manager of the syndicate of Initial Purchasers (the “Initial Purchaser”) that has purchased the Bonds from South Shore Harbour Municipal Utility District No. 7 (the “District”).
2. As of the date of this certificate, for each of the following maturities (the “Sold Maturities”), the first price at which a substantial amount (at least ten percent) of such maturity was sold to the public (expressed as a percentage of principal amount and exclusive of accrued interest) is set forth below:

<u>Due (9/1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Due (9/1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2025	\$410,000	_____ %	2030 ^(a)	\$480,000	_____ %
2026	420,000	_____ %	2031 ^(a)	490,000	_____ %
2027	440,000	_____ %	2032 ^(a)	515,000	_____ %
2028	450,000	_____ %	2033 ^(a)	530,000	_____ %
2029	465,000	_____ %			

(a) Subject to optional redemption in whole or in part on September 1, 2029 or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest.

3. As of the sale date for the Bonds, each of the following maturities (the “Unsold Maturities”) was offered to the public for purchase at the price (expressed as a percentage of principal amount and exclusive of accrued interest) set forth below:

<u>Principal Amount</u>	<u>Year of Maturity</u>	<u>Issue Price</u>	<u>Principal Amount</u>	<u>Year of Maturity</u>	<u>Issue Price</u>
\$					

4. As set forth in the Notice of Sale, the Initial Purchaser has agreed in writing that, for each of the Unsold Maturities, the Initial Purchaser would neither offer nor sell any of the Bonds of such maturity to any person at a price that is higher than the initial offering price for each maturity, as set forth in the pricing wire or equivalent communication for the Bonds attached to this Certificate, during the Offering Period for such maturity, nor would the Initial Purchaser permit a related party to do so. Pursuant to such agreement, the Initial Purchaser has neither offered nor sold any of the Unsold Maturities at a price higher than the respective initial offering price for that maturity of the Bonds during the Offering Period.

5. The Initial Purchaser [has] [has not] purchased bond insurance for the Bonds. The bond insurance has been purchased from _____ (the “Insurer”) for a fee of \$_____ (net of any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arms-length charge for the transfer of credit risk. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that had not been earned.

6. The term “public” means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an Initial Purchaser or a related party to an Initial Purchaser. A related party generally means two or more persons with greater than 50 percent common ownership, directly or indirectly.

7. Sale date means the first date on which there is a binding contract in writing for the sale of the Bonds. The sale date of the Bonds is February 15, 2024.

8. Offering Period means, with respect to an Unsold Maturity, the period beginning on the Sale Date and ending on the earlier of (a) the close of the fifth business day after the Sale Date or (b) the date on which the Initial Purchaser has sold at least 10 percent of such Unsold Maturity to the public at a price that is no higher than the initial offering price for such Unsold Maturity.

9. The undersigned understands that the statements made herein will be relied upon by the District and Bacon, Wallace & Philbin LLP in complying with the conditions imposed by the Internal Revenue Code of 1986, as amended, on the exclusion of interest on the Bonds from the gross income of their owners for federal income tax purposes.

EXECUTED and DELIVERED this ____ day of ____, 2024.

(Name of Initial Purchaser or Manager)

By: _____

Title: _____

_____, as Initial Purchaser

By: _____

Name: _____

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 12, 2023

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 the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser.

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF SOUTH SHORE HARBOUR MUNICIPAL UTILITY DISTRICT NO. 7, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE “LEGAL MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS WILL BE DESIGNATED “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “LEGAL MATTERS - Qualified Tax Exempt Obligations.”

NEW ISSUE – Book-Entry-Only

RATINGS: S&P (Underlying).....“_____”

S&P (Insured).....“_____”

See “MUNICIPAL BOND RATINGS” and “MUNICIPAL BOND INSURANCE”

\$4,200,000

SOUTH SHORE HARBOUR MUNICIPAL UTILITY DISTRICT NO. 7

(A Political Subdivision of the State of Texas,
located within Galveston County)

UNLIMITED TAX BONDS, SERIES 2024

Dated Date: Date of Delivery (defined herein)

Due: September 1, as shown below

The \$4,200,000 South Shore Harbour Municipal Utility District No. 7 Unlimited Tax Bonds, Series 2024 (the “Bonds”), are obligations solely of South Shore Harbour Municipal Utility District No. 7 (the “District”), and are not obligations of the State of Texas, Galveston County, League City, or any entity other than the District.

Principal of the Bonds is payable at maturity or earlier redemption by the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. (sometimes hereinafter called the “Paying Agent” or the “Registrar”). Interest accrues from the date of delivery of the Bonds to the Initial Purchaser (expected to be on or about February 15, 2024), and is payable beginning September 1, 2024, and each March 1 and September 1 (each an “Interest Payment Date”) thereafter until the earlier of maturity or redemption, and will be calculated on the basis a 360-day year consisting of twelve 30-day months. The Bonds are fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

The Bonds will be registered and delivered only 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 (as herein defined under “BOOK-ENTRY-ONLY SYSTEM”) of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. 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 directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See “BOOK-ENTRY-ONLY SYSTEM.”

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (Sept. 1)	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP ^(c)	Due (Sept. 1)	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP ^(c)
2025	\$410,000	_____%	_____%		2030 ^(d)	\$480,000	_____%	_____%	
2026	420,000	_____%	_____%		2031 ^(d)	490,000	_____%	_____%	
2027	440,000	_____%	_____%		2032 ^(d)	515,000	_____%	_____%	
2028	450,000	_____%	_____%		2033 ^(d)	530,000	_____%	_____%	
2029	465,000	_____%	_____%						

(a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest net effective interest rate bid to purchase the Bonds, bearing interest as shown, at a price of _____% of par to the date of delivery, resulting in a net effective interest rate to the District of _____%.

(b) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of the Initial Purchaser (hereinafter defined), and may subsequently be changed.

(c) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers.

(d) Bonds maturing on September 1, 2030, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption Provisions.” In addition, the Initial Purchaser may designate one or more of the Bonds maturing in the year 2030, or thereafter, as term bonds. See accompanying “Official Notice of Sale” and “THE BONDS – Redemption Provisions.”

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 upon all taxable property within the District, as further described herein. Investment in the Bonds is subject to special investment considerations described herein. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as and if issued by the District, 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 LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about February 15, 2024 (the “Date of Delivery”).

BIDS TO BE SUBMITTED: 8:30 A.M., CENTRAL TIME

BIDS TO BE PRESENTED: 11:30 A.M., CENTRAL TIME

JANUARY 9, 2024

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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 the District upon payment of the costs for duplication thereof.

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 condition 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 Initial Purchaser of the Bonds, as shown on the cover page hereof, and thereafter only as described under “SOURCES OF INFORMATION – Updating of Official Statement.”

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this OFFICIAL STATEMENT for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

SALE AND DISTRIBUTION OF THE BONDS

Award and Marketing of the Bonds

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

Prices and Marketability

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

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

No Litigation

As a condition to delivery of the Bonds, the District will furnish a certificate executed by the President and Secretary of the District that no litigation is pending or, to the knowledge of the District's certifying officers, threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the titles of the present officers and directors of the Board of Directors of the District.

Securities Laws

No registration statement relating to 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 Texas Securities Act in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration 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 jurisdictions.

MUNICIPAL BOND RATINGS

The District has made application to Standard and Poor's Financial Services LLC, a business unit of S&P Global Ratings ("S&P"), for an underlying rating on the Bonds and S&P has assigned a rating of "_____." Any explanation of the significance of such rating may be obtained from the rating service furnishing the rating. There is no assurance that any rating given to the Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by such rating agencies if, in the judgment of such agencies, circumstances so warrant. Any such downward change or withdrawal of such rating may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold the Bonds.

MUNICIPAL BOND INSURANCE

The District has made an application to Build America Mutual Assurance Company and Assured Guaranty Municipal Corp. for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, other than S&P, will be at the option and expense of the Initial Purchaser.

MUNICIPAL BOND INSURANCE RISK FACTORS

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

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

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

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

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

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

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

OFFICIAL STATEMENT SUMMARY

The following summary of certain information contained herein is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

The Issuer	South Shore Harbour Municipal Utility District No. 7, Galveston County, Texas (the “District”), is a political subdivision of the State of Texas (the “State”) located in Galveston County, Texas. See “THE DISTRICT.”
Description	\$4,200,000 Unlimited Tax Bonds, Series 2024, are dated February 15, 2024, and mature on September 1 in each of the years and in the principal amounts indicated on the cover page of this Official Statement (the “Bonds”). Interest accrues from the date of delivery of the Bonds to the Initial Purchaser (expected to be on or about February 15, 2024), and is payable beginning September 1, 2024, and each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds maturing on or after September 1, 2030 are subject to redemption, in whole or from time to time in part, prior to their scheduled maturities, on September 1, 2029, or on any date thereafter, at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof so called for redemption to the date of redemption. See “THE BONDS.”
Book-Entry Only	The Bonds are initially issuable in book-entry only form and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, which will act as securities depository. Beneficial Owners of the Bonds will not receive physical delivery of bond certificates. See “BOOK-ENTRY-ONLY SYSTEM.”
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “THE BONDS – Source and Security for Payment,” “TAX DATA – Tax Rate Calculations,” and “INVESTMENT CONSIDERATIONS – Maximum Impact on District Tax Rates.”
Payment Record.....	The District has previously issued \$43,810,000 of unlimited tax bonds, \$14,585,000 of which remains outstanding as of the date of this Official Statement (the “Outstanding Bonds”). The District has never defaulted on the timely payment of the principal or interest on its previously issued bonds.
Use of Proceeds	Proceeds of the sale of the Bonds will be used by the District to (1) repair existing bulkhead failure and provide shoreline protection of Austin Lake, (2) repair a security fence around Tucker Lake and (3) to pay for engineering, survey, and testing of the above facilities, fees, and expenses for bond issuance. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Municipal Bond Rating and Insurance.....

Applications have been made for a commitment to issue a policy of municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, will be at the option of the Initial Purchaser. The Initial Purchaser understands, by submission of its bid, that the Initial Purchaser is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, and the ratings to be assigned to the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy.

The District has made application to S&P Global Ratings (“S&P”) for an underlying rating on the outstanding debt of the District and S&P has assigned a rating of “_____”. If the Initial Purchaser chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by S&P, may at the election of the Initial Purchaser be assigned the Bonds based upon the understanding that upon delivery of the Bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. See “MUNICIPAL BOND RATINGS,” “MUNICIPAL BOND INSURANCE,” and “MUNICIPAL BOND INSURANCE RISK FACTORS.”

Qualified Tax-Exempt Obligation ..

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 “LEGAL MATTERS – Qualified Tax-Exempt Obligations.”

THE DISTRICT

Description

South Shore Harbour Municipal Utility District No. 7, a political subdivision of the State, was created by an Order of the Texas Commission on Environmental Quality (the “TCEQ”) on July 24, 2001, and operates as a municipal utility district pursuant to Chapters 49 and 54 of the Texas Water Code. The District contains approximately 471.8095 acres of land. The District is located in northern Galveston County and lies wholly within the corporate limits of the City of League City (“League City” or the “City”). See “THE DISTRICT – Description.”

Authority for Issuance

At an election held within the District on May 7, 2005, the District voters authorized the issuance of \$26,550,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds constitute the fourth issuance of bonds from such authorization. After the issuance of the Bonds, \$6,275,000 principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities will remain authorized by unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the TCEQ dated _____. See “THE DISTRICT – General.”

Development of the District.....	The District is one of multiple municipal utility districts that served the 2,171-acre master planned South Shore Harbour Development (“South Shore Harbour” or “Development”), which abuts the south shore of Clear Lake, an inland saltwater bay providing access to Galveston Bay and the Gulf of Mexico. Of the original seven (7) Districts, only South Shore Harbour MUDs No. 6 and No. 7 remain active. The other districts have been dissolved and the property annexed into the City of League City. The District is located approximately 22 miles south of the central business district of Houston along State Highway (SH) 96, which provides access to League City and Interstate Highway 45, the freeway connecting Houston and Galveston. The District is bounded on the north by Galveston County Municipal Utility District No. 3 and on the south by State Highway (SH) 96. The District consists of 471.8095 gross acres of land of which 48.7 acres have been designated for commercial and multifamily and 315.7 acres for residential construction. The remaining approximately 107.41 acres has been dedicated as easements, open space and streets. Development within the District is substantially complete. The District contains approximately 1,187 single-family residences on 1,187 developed lots. The District also contains two 12,000 sq. ft. medical/professional buildings on 2.4 commercial acres and an 82,000 sq. ft. Kroger grocery store with 24,000 sq. ft. of retail and pad sites.
Legal Opinion	Bacon, Wallace & Philbin LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.”
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Dallas, Texas
Engineer.....	A&S Engineers, Inc., Houston, Texas
Financial Advisor	RBC Capital Markets, LLC, Houston Texas

INVESTMENT CONSIDERATIONS

INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS; ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED “INVESTMENT CONSIDERATIONS.”

SUMMARY OF SELECTED FINANCIAL INFORMATION (UNAUDITED)

2023 Certified Assessed Valuation	\$530,887,957 (a)
Direct Debt (Includes the Bonds)	\$18,785,000
Estimated Overlapping Debt	23,226,758 (b)
Direct and Estimated Overlapping Debt	<u>\$42,011,758</u>
Operations Fund (as of October 10, 2023)	\$483,600 (c)
Debt Service Fund Balance (as of October 10, 2023)	\$3,193,873 (d)
Capital Projects Fund (as of October 10, 2023)	\$15,406
Direct Debt Ratios:	
as a percentage of 2023 Certified Assessed Valuation	3.54%
Direct and Estimated Overlapping Debt Ratios	
as a percentage of 2023 Certified Assessed Valuation	7.91%
2023 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax	\$0.3800
Maintenance Tax	0.0312
Total	<u>\$0.4112</u>
Projected Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (Calendar Years 2024 – 2033)	\$1,751,896
Projected Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (Calendar Year 2033)	\$1,794,108
Tax Rate per \$100 of Assessed Valuation Required to pay the Projected Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds at 95% Tax Collection Based Upon 2023 Certified Assessed Valuation	\$0.46
Tax Rate per \$100 of Assessed Valuation Required to pay Projected Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds at 95% Tax Collection Based Upon 2023 Certified Assessed Valuation	\$0.47

(a) As certified by the Galveston Central Appraisal District (“GCAD”). See “TAX DATA” and “TAXING PROCEDURES.”

(b) Provided by the Texas Municipal Advisory Council. See “SELECTED FINANCIAL INFORMATION – Estimated Overlapping Debt Statement.”

(c) Based on ending balance provided by the District’s bookkeeper for period ended October 10, 2023.

(e) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.

PRELIMINARY OFFICIAL STATEMENT
relating to
\$4,200,000
SOUTH SHORE HARBOUR MUNICIPAL UTILITY DISTRICT NO. 7

UNLIMITED TAX BONDS
SERIES 2024

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by South Shore Harbour Municipal Utility District No. 7 (the “District”), of its \$4,200,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”). There follows in this Official Statement descriptions of the Bonds and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District c/o Bacon, Wallace & Philbin LLP, Houston, Texas, upon request and payment of the costs of duplication therefor.

THE DISTRICT

General

South Shore Harbour Municipal Utility District No. 7 (the “District”), a municipal utility district created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the “Commission”), on July 24, 2001, operates under the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the Commission. The District was one of multiple municipal utility districts (the “MUDs”) which comprise the 2,171-acre South Shore Harbour development (“South Shore Harbour” or the “Development”), a project of South Shore Harbour Development, Limited, a Texas limited partnership composed of American National Insurance Company, a Texas corporation headquartered in Galveston, Texas (the sole limited partner), and ANREM Corporation, also a Texas corporation (the sole general partner). South Shore Harbour is located within the corporate limits of the City of League City (the “City” or “League City”) which retains certain controls over utility construction and operation as well as the sale of bonds serving the Development (see “UTILITY AGREEMENT BETWEEN THE DISTRICT AND LEAGUE CITY”). According to the U.S. Census Bureau, the 2010 population of the City of League City was 83,560, and is estimated to be 115,418 as of 2022. The City operates in accordance with a Home Rule Charter adopted on March 27, 1962, as amended.

League City is located approximately five miles south of the Houston city limits adjacent to Interstate Highway 45 (“IH 45”), the principal traffic artery between Houston and the City of Galveston. South Shore Harbour lies in the northeast quadrant of League City adjacent to Clear Lake, which forms the northern boundary of the Development. FM 518 and FM 2094 which cross the Development west to east and divides it into approximately one third/two thirds segments provides direct access to the League City business district and, via IH 45, to the business districts of both Houston and Galveston, 25 miles and 30 miles distant, respectively. IH 45 intersects FM 518 approximately one mile west of the League City business district. See “VICINITY MAP” and “DISTRICT MAP.” The District is bounded on the north by FM 2094, on the south by FM 518 and on the west by South Shore Boulevard. The District is empowered to, among other things, purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Under certain limited circumstances, the District also is authorized to construct, develop and maintain park and recreational facilities. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to provide such facilities and services to the customers of the District.

Status of Development

The District consists of 471.8095 gross acres of land of which 48.7 acres have been designated for commercial and multifamily and 315.7 acres for residential construction. The remaining approximately 107.41 acres has been dedicated as easements, open space and streets. Development within the District is substantially complete. The District contains approximately 1,187 single-family residences on 1,187 developed lots. The District also contains two 12,000 sq. ft. medical/professional buildings on 2.4 commercial acres and an 82,000 sq. ft. Kroger grocery store with 24,000 sq. ft. of retail and pad sites.

Community Facilities

Churches: Churches of most major denominations are located in League City.

Employment Centers: Local employment centers near the District are located in League City, Dickinson, and Galveston and in Houston adjacent to Clear Lake. Significant employment centers located in the area include National Aeronautics and Space Administration (“NASA”) located directly across Clear Lake from the District; Bayport Industrial Complex located some 12 miles northeast of the District, home to over 40 industrial companies; industrial and chemical plants in the Texas City area located approximately 10 miles south of the District; chemical, petrochemical, and other large industries located in Pasadena, Deer Park, and Baytown, from 5 to 15 miles from the District.

Other Utilities: Texas-New Mexico Power Company provides Electric service to the District, and CenterPoint Energy - Entex provides gas service. Verizon Communications provides telephone service. Xfinity/Comcast provides internet and cable service, and Frontier also provides internet service.

Medical Facilities: Clear Lake Regional Medical Center, a privately-owned hospital offering 24-hour emergency service, is located some six miles northwest of the District, and Houston Methodist Clear Lake Hospital is located on NASA Road 1 approximately five miles north of the District, the latter of which is going through a large expansion in its Breast Care Center and Orthopedics and Sports Medicine facility. In addition, Mainland Center Hospital is located in Texas City approximately ten miles south of the District. University of Texas Medical Branch (“UTMB”) also has a facility on Interstate 45, approximately 5 miles from the District. There is a Next Level Urgent Care located in the District.

Fire and Police Protection: League City provides ambulance service, fire and police protection.

Recreational Facilities: South Shore Harbour Development, Ltd. has built a neighborhood recreational facility which offers a swimming pool, recreational building, and playground equipment and is for the exclusive use of residents of the South Shore Village Subdivision who pay annual fees for the use of the facilities. In addition, the District’s previous developer, General Homes, constructed a recreational facility which includes a swimming pool, bathhouse, a covered meeting area, two lighted tennis courts, a baseball field, and playground equipment. The amenity section is for the exclusive use of Meadow Bend Subdivision residents, who pay an annual fee for the use of these facilities. District residents also have access to a city owned municipal complex containing a swimming pool, civic center recreation building, and public library located approximately two miles from the District. In addition, South Shore Harbour is a recreational oriented development which provides a private golf course and water-related sports facilities to residents and others. The Marina, Phase I, located outside the boundaries of the District, currently provides 1,000 boat slips and docking and fuel facilities. The Marina office and a yacht sales office are located adjacent to the Marina. The 27-hole golf course and country club, located outside the boundaries of the District, is available to residents of the District and non-residents on a membership basis.

Schools: The District is located in Clear Creek Independent School District which provides bus service to students living over two miles from their school campus. Students in the District attend the following state-accredited schools:

<u>School</u>	<u>Approximate Distance from District</u>
Goforth Elementary	2.2 Miles
Hyde Elementary	2.0 Miles
Bayside Intermediate	1.9 Miles
League City Intermediate	2.6 Miles
Clear Falls High.....	1.5 Miles

Shopping Facilities: Neighborhood shopping facilities, including such retail establishments as supermarkets, pharmacies, restaurants and retail outlets, are available in League City outside the boundaries of the District. The nearest regional shopping center, Baybrook Mall, is located on IH 45 approximately seven miles northwest of the District and includes four major department stores and approximately 150 retail outlets and specialty shops. In addition, a Randall's Shopping Center is located near the intersection of South Shore Blvd. and Marina Bay Drive, a Kroger inside of the District at South Shore Blvd. and League City Pkwy, as well as an H-E-B just south of the District across the street from the Kroger. There are also several fast casual restaurants, bank branches, medical offices, and other retail operations in the District. Other retail within 3 miles of South Shore Harbour includes a Target Super Store, a Home Depot, and a Wal-Mart Super Store.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated February 15, 2024, with interest accruing from the date of delivery of the bonds to the Initial Purchaser and payable on September 1, 2024, and on each March 1 and September 1 thereafter (each an "Interest Payment Date"), until the earlier of maturity or prior redemption. Interest on the Bonds initially accrues from February 15, 2024, and thereafter, from the most recent Interest Payment Date. The Bonds mature on September 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Record Date

The record date for payment of the interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding such interest payment date.

Authority for Issuance

At an election held within the District on May 7, 2005, voters of the District authorized a total of \$26,550,000 in unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities. The Bonds constitute the fourth issuance of bonds from such authorization. After the issuance of the Bonds, a total of \$6,275,000 in principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Texas Commission on Environmental Quality ("Commission" or "TCEQ") dated ____.

Source and Security for Payment

The Bonds, together with the Outstanding Bonds (hereinafter defined) and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See “TAXING PROCEDURES”. Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See “INVESTMENT CONSIDERATIONS.” The Bonds are obligations solely of the District and are not obligations of the State of Texas (the “State”), Galveston County, Texas, the City of League City, Texas, or any political subdivision or agency other than the District.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2030, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2029, or any date thereafter, at a price equal to the principal amount thereof to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See “BOOK-ENTRY-ONLY SYSTEM.”

Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

By the redemption date, due provision shall be made with the Paying Agent for payment of the principal of the Bonds or portions thereof to be redeemed to the redemption date. 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.

Method of Payment of Principal and Interest

The Board of Directors of the District (“Board”) has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Houston, Texas, as the initial paying agent/registrar for the Bonds (“Paying Agent” or “Registrar”). The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See “BOOK-ENTRY-ONLY SYSTEM.”

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner’s income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.” So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State for the purpose of maintaining the Register on behalf of the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent. If the Paying Agent is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent’s records and act in the same capacity as the previous Paying Agent. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least \$25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

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 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.

Issuance of Additional Debt

The District’s voters have authorized the issuance of a total of \$26,550,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have \$6,275,000 of unlimited tax bonds authorized but unissued for said improvements and facilities. The District’s voters have also authorized a total of \$26,550,000 unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. The District currently has \$25,715,000 unlimited tax refunding bonds authorized but unissued.

The Bond Order imposes 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. See “INVESTMENT CONSIDERATIONS – Future Debt.”

Dissolution and Consolidation

Under Texas law, the District may be abolished and dissolved at any time by an ordinance adopted by two-thirds vote of the City Council of League City. Thereafter, all properties and assets of the District not already conveyed to the City would vest in League City, which would assume and be liable for the payment of all bonds and other obligations of the District. The District can make no representation that League City will ever abolish and dissolve the District nor as to League City’s ability to pay the debt requirements of the District. The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the districts or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other’s bonds, notes and other obligations. If each district assumes the other’s bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other’s bonds, notes and other obligations, each district’s taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

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 Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek 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 Order. Except for mandamus, the Bond Order 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. Certain traditional legal remedies may also not be available. See “INVESTMENT CONSIDERATIONS – Registered Owners’ Remedies and Bankruptcy.”

Defeasance

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

Upon such deposit as described above, such Bonds shall no longer be regarded to be 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 a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

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

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

The 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 the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a 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 effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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 District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Agent, disbursement of such payments to the 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 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-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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 District takes no responsibility for the accuracy thereof.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations solely of the District and not obligations of the State, Galveston County, the City of League City or any other entity, are secured by the levy of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes, may be costly and lengthy processes. See "Tax Collection Limitations" and "Registered Owners' Remedies and Bankruptcy" below and "THE BONDS – Source and Security for Payment," and "– Remedies in Event of Default."

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Cybersecurity

The District and their consultants are dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the District will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The 2023 Certified Assessed Valuation of property located within the District (see "TAX DATA") is \$530,887,957. After issuance of the Bonds, and assuming an interest rate of 4.50% per annum on the Bonds, the Projected Maximum Annual Debt Service Requirement will be \$1,794,108 (2033) and the Projected Average Annual Debt Service Requirements will be \$1,751,896 (2024 through 2033, inclusive). Assuming no increase to or decrease from the 2023 Certified Assessed Valuation, and no use of other District funds, tax rates of \$0.47 and \$0.46 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Projected Maximum Annual Debt Service Requirement and the Projected Average Annual Debt Service Requirements, respectively. See "TAX DATA – Tax Rate Calculations."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by 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, (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property, (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below, or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities which have parity liens on the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years following the date of recordation of the deed issued at foreclosure and all other property within six (6) months following the date of recordation of the deed issued at foreclosure. See "TAXING PROCEDURES."

Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes on 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. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

Recent 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, the District experienced no interruption of water and sewer service as a result of Hurricane Harvey. According to the Engineer, the City's system serving the District did not sustain any material damage from Hurricane Harvey. To the knowledge of the District, no homes within the District experienced structural flooding or other 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.

Specific Flood Type Risks

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 experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam.

In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems (canals or channels) downstream.

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.

Registered Owners' Remedies

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 Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek 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 Order. Except for mandamus, the Bond Order 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 Order may not be reduced to a judgment for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Beneficial 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 Beneficial Owners may further be limited by a State statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas 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. Under Texas law, the District must also obtain the approval of the Commission prior to filing bankruptcy. Such law requires that the Commission investigate the financial conditions of the District and authorize the District to proceed only if the 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 under 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 the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Registered Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District reserves in the Bond Order the right to issue the remaining \$6,275,000 principal amount of unlimited tax bonds authorized but unissued for water, sanitary sewer and drainage facilities, the \$25,715,000 principal amount of unlimited tax refunding bonds, and such additional bonds as may hereafter be approved by the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See “THE BONDS – Legal Ability to Issue Additional Debt.”

Continuing Compliance with Certain Covenants

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

Marketability

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

Approval of the Bonds

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

Environmental Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)— Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”).

While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

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

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

The HGB Area is currently designated as a “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 “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. 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 35 standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB Area’s economic growth and development.

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

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

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

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

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

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

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

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

The use and distribution of the proceeds from the sale of the Bonds, as approved by the TCEQ, is set forth below.

CONSTRUCTION COSTS		District's Share
A	District Items	
	1. Austin Lake Shoreline Repair	\$2,948,500
	2. Tucker Lake Fence	163,591
	3. Contingencies	311,209
	4. Engineering and Technical Services	350,000
	Total District Items	\$3,773,300
NET CONSTRUCTION COSTS		\$3,773,300
NON-CONSTRUCTION COSTS		
A	Legal Fees	\$126,000
B	Fiscal Agent Fees	84,000
C	Bond Discount	126,000
D	Bond Issuance Expenses	26,000
E	Bond Application Report Costs	50,000
F	Attorney General Fee	4,200
G	TCEQ Bond Issuance Fee	10,500
TOTAL NONCONSTRUCTION		\$426,700
TOTAL BOND ISSUE REQUIREMENT		\$4,200,000

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

General

2023 Certified Assessed Valuation	\$530,887,957 ^(a)
Direct Debt (Includes the Bonds)	\$18,785,000
Estimated Overlapping Debt	<u>23,226,758</u>
Direct and Estimated Overlapping Debt	\$42,011,758
Direct Debt Ratios:	
as a percentage of 2023 Certified Assessed Valuation	3.54%
Direct and Estimated Overlapping Debt Ratios	
as a percentage of 2023 Certified Assessed Valuation	7.91%

^(a) As certified by the Galveston Central Appraisal District ("GCAD"), see "TAX DATA" and "TAXING PROCEDURES."

District Bonds Authorized but Unissued

Date of Authorization	Purpose	Authorized	Issued To Date ^(a)	Amount Unissued
May 7, 2005	Water, Sewer & Drainage	\$26,550,000	\$20,275,000	\$6,275,000
May 7, 2005	Refunding (Art. XVI, Sec. 59)	26,550,000	835,000	25,715,000

^(a) Assumes issuance of the Bonds.

Cash and Investment Balances (Unaudited as of October 10, 2023)

Operating Fund	Cash and Temporary Investments	\$483,600
Debt Service Fund Balance ^(a)	Cash and Temporary Investments	\$3,193,873
Capital Projects Fund	Cash and Temporary Investments	\$15,406

^(a) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund.

The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District's portfolio.

Investment in U.S. Government Obligations, bank Certificates of Deposit and money market funds are generally representative of the District's investment practices. State law requires the District to report its investments each calendar quarter and upon the conclusion of each fiscal year. The District is required by state law to mark its investments to market price in these reports for the purpose of compliance with applicable accounting principles concerning the contents of the District's audited financial statements.

Estimated Overlapping Debt Statement

The following table indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the assessed valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information and no person is entitled to rely upon such information as being accurate or complete. Further, certain of the entities listed below may have issued additional bonds since the date cited.

Taxing Body (a)	Direct Debt	As of	Percent Overlapping Direct Debt	Overlapping Direct Debt
Clear Creek ISD	\$993,980,000	10/31/2023	1.40%	\$13,915,720
Galveston County	174,315,041	10/31/2023	0.87%	1,516,541
League City, City of	239,095,000	10/31/2023	3.26%	7,794,497
Total Overlapping Debt:				\$23,226,758
The District:				\$18,785,000
Total Direct and Overlapping Debt:				\$42,011,758
Total Direct and Overlapping Debt Percent of AV:				7.91%

PROJECTED DEBT SERVICE REQUIREMENTS

The following schedule sets forth the principal and estimated interest requirements on the Bonds and the Outstanding Bonds.

Year End 12/31	Outstanding Debt Service	The Bonds ^(a)				Total
		Principal Due 9/1	Interest Due 3/1	Interest Due 9/1	Total Principal & Interest	
2024	\$1,736,345.00	\$0.00	\$0.00	\$102,900.00	\$102,900.00	\$1,839,245.00
2025	1,738,755.00	410,000.00	94,500.00	94,500.00	599,000.00	2,337,755.00
2026	1,747,595.00	420,000.00	85,275.00	85,275.00	590,550.00	2,338,145.00
2027	1,747,345.00	440,000.00	75,825.00	75,825.00	591,650.00	2,338,995.00
2028	1,756,930.00	450,000.00	65,925.00	65,925.00	581,850.00	2,338,780.00
2029	1,764,430.00	465,000.00	55,800.00	55,800.00	576,600.00	2,341,030.00
2030	1,768,637.50	480,000.00	45,337.50	45,337.50	570,675.00	2,339,312.50
2031	1,779,500.00	490,000.00	34,537.50	34,537.50	559,075.00	2,338,575.00
2032	1,780,400.00	515,000.00	23,512.50	23,512.50	562,025.00	2,342,425.00
2033	1,788,900.00	530,000.00	11,925.00	11,925.00	553,850.00	2,342,750.00
	<u>\$17,608,837.50</u>	<u>\$4,200,000.00</u>	<u>\$492,637.50</u>	<u>\$595,537.50</u>	<u>\$5,288,175.00</u>	<u>\$22,897,012.50</u>

(a) The above chart projects debt service based on an estimated interest rate of 4.50%.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate and amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Remaining Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under the caption "THE BONDS – Source of Payment." The Board is also authorized to levy and collect annual ad valorem taxes for the administration and maintenance of the District and the System and for the payment of certain contractual obligations if such taxes are authorized by vote of the District's electors at an election. The District's electors have authorized the levy of such a maintenance tax in the maximum amount of \$0.20 per \$100 of assessed valuation, and the District levied a maintenance tax of \$0.0312 per \$100 of Assessed Valuation in 2023. See "TAX DATA – Maintenance Tax" and – "Historical Values and Tax Collection History."

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. For the 2023 tax year, the District has granted a \$48,000 exemption for residents who are disabled or 65 and older.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. See "TAX DATA – Exemptions."

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain

taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit 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. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Galveston County may designate all or part of the area within the District as a reinvestment zone. The City of League City also may designate property within its boundaries or its extraterritorial jurisdiction as a reinvestment zone. Thereafter, Galveston County, the District, or the City of League City at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. The terms of all tax abatement agreements need not be the same.

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the “Property Tax Code”) establishes an appraisal district and an appraisal review board in each county of the State. The appraisal district is governed by a board of directors elected by the governing bodies of cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district and of the county. The District is entitled to vote upon and participate in the selection of members of the board of directors of the GCAD. The board of directors selects a chief appraiser to manage the appraisal office of the appraisal district. All taxing units within Galveston County, including the District, are included in the GCAD. GCAD is responsible for appraising property within the District, subject to review by the Galveston Central Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax rolls and tax rate. The valuation and assessment of taxable property within the District is governed by the Property Tax Code.

Under current Texas law, the District is responsible for the levy and collection of its taxes and will continue to be so responsible unless the Board of Directors of the District, or the qualified voters of the District or of Galveston County at an election held for such purpose, determines to transfer such functions to the GCAD or another taxing unit.

Valuation of Property for Taxation

Generally, all taxable property in the District (other than any qualifying agricultural and timberland) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. However, houses 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. Implementation of this amendment could reduce the assessed value of builder inventory within the District if any single-family residential development and building were to occur. See “TAX DATA – Principal Taxpayers” below. The Property Tax Code requires each appraisal district to implement a plan

providing for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of reappraisal will be utilized by the GCAD or whether reappraisals will be conducted on a zone or county-wide basis.

The Property Tax Code permits land designated for agricultural use or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, land and timberland, prior to the loss of the designation.

The chief appraiser must give written notice on May 15, or as soon thereafter as practicable to each owner if the appraised value of his property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the appraisal review board may appeal the final determination by the appraisal review board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property. The rate of taxation is set by the Board based upon the assessed valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

Disaster Exemption

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property 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.

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 pursuant to SB 2 is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the 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, beginning with the 2020 tax rate. 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. In tax year 2023, the Board qualified the District as a Developing District.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes, unless it elects to transfer such functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based upon a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The owner of a residential homestead property who is a person sixty-five (65) years of age or older or under a disability for the purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act is 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.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year upon the property. The District's tax lien is on a parity with the tax liens of the other jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit at any time after taxes become delinquent to foreclose its 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 also be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by the effects of market conditions on the foreclosure sales price, by the taxpayer's right to redeem the property within two years of foreclosure, or by bankruptcy proceedings which restrain or stay the collection of a taxpayer's debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

TAX DATA

Classification of Assessed Valuation

The following table illustrates the composition of property located within the District during the past five years.

	2023	2022	2021	2020	2019
	Assessed Valuation	Assessed Valuation	Assessed Valuation	Assessed Valuation	Assessed Valuation
Land	\$63,364,717	\$57,690,740	\$58,441,640	\$59,942,850	\$59,942,850
Improvements	526,912,606	450,105,168	408,468,770	361,958,064	326,015,621
Personal Property	7,142,520	7,194,520	6,981,624	7,962,820	7,923,690
	<u>\$597,419,843</u>	<u>\$514,990,428</u>	<u>\$473,892,034</u>	<u>\$429,863,734</u>	<u>\$393,882,161</u>
Exemptions	(66,531,886)	(39,637,976)	(26,850,475)	(23,823,378)	(18,067,282)
Total	<u>\$530,887,957</u>	<u>\$475,352,452</u>	<u>\$447,041,559</u>	<u>\$406,040,356</u>	<u>\$375,814,879</u>

Tax Collections

The following statement of tax collections set forth is the tax collections of the District for the past five tax years. Such summary has been prepared by the Financial Advisor for inclusion herein based upon information obtained from records of the District's tax assessor/collector. Reference is made to such records for further and more complete information.

Tax Year	Assessed Valuation	Tax Rate	Levy	Collections as of Tax Year End		Collections Through October 31, 2023	
				Amount	%	Amount	%
2019	\$375,814,879	\$0.3800	\$1,426,987	\$1,424,277	99.81%	\$1,426,091	99.94%
2020	406,040,356	0.3830	1,552,329	1,549,983	99.85%	1,552,241	99.99%
2021	447,041,559	0.3824	1,708,302	1,704,250	99.76%	1,707,835	99.97%
2022	475,352,452	0.3789	1,852,833	1,828,271	98.67%	1,847,433	99.71%
2023	530,887,957	0.4112	2,073,063	(a)	(a)	(a)	(a)

(a) In process of collections for 2023 tax year.

District Tax Rates

	2023	2022	2021	2020	2019
Debt Service Fund	\$0.3800	\$0.3472	\$0.3504	\$0.3400	\$0.3400
Maintenance & Operation	0.0312	0.0317	0.0320	0.0430	0.0400
Total	<u>\$0.4112</u>	<u>\$0.3789</u>	<u>\$0.3824</u>	<u>\$0.3830</u>	<u>\$0.3800</u>

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).

Maintenance: \$0.20 per \$100 of assessed valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for operation and maintenance of the District and its improvements, if such maintenance tax is authorized by a vote of the District's electorate. The District's electors have authorized the levy of such a maintenance tax in the maximum amount of \$0.20 per \$100 of assessed valuation, and the District levied a maintenance tax of \$0.0312 per \$100 of Assessed Valuation in 2023. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future.

Principal Taxpayers

The following list of top ten principal taxpayers was provided by the District's Tax Assessor/Collector based on the 2022 and 2023 certified tax rolls of the District, which reflect ownership as of January 1 of each year.

Taxpayer	Property Type	2023	2022
Centennial South Shore LP	Apartments	\$52,500,000	\$50,000,000
Kroger Texas LP	Grocery Store	9,569,800	8,900,000
PS LPT Properties Investors	Storage Units/Warehouses	7,665,000	8,690,500
Aquataina South Shore Borrower LLC	Strip Mall/Plaza	4,581,800	5,734,966
South Shore Lakes LLC	Commercial Building	4,321,200	5,456,560
Kroger #3400398	Grocery Store	3,699,770	3,352,040
McDonald's Real Estate Co.	Restaurant	1,949,999	1,650,000
AR Partners LLC	Commercial Land	1,895,070	1,895,070
Krupa Properties LLC	Commercial Land	1,625,000	1,800,000
JP Morgan Chase Bank Na	Bank	1,492,600	-
League City 2560 LLC	Commercial Building	-	1,707,650
		<u>\$89,300,239</u>	<u>\$89,186,786</u>
Percent of Assessed Valuation		16.82%	18.76%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds (interest estimated at 4.50%) if no growth in the District occurs beyond the 2023 Certified Assessed Valuation. The calculations also assume collection of 95% of taxes levied, no use of District funds on hand, and the sale of no additional bonds by the District except the Bonds.

Projected Average Annual Debt Service Requirements (2024 – 2033)	\$2,289,701
Tax Rate of \$0.46 on the 2023 Certified Taxable Assessed Valuation produces.....	\$2,319,980
Projected Maximum Debt Service Requirement (2033)	\$2,342,750
Tax Rate of \$0.47 on the 2023 Certified Taxable Assessed Valuation produces.....	\$2,370,415

Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all taxes levied upon property located within the District. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see “DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

<u>Overlapping Entity</u>	<u>2023 Tax Rate per \$100 AV</u>
City of League City	\$0.396783
Galveston County	0.367587
Clear Creek ISD	0.974600
The District	<u>0.411200</u>
Total	\$2.150170

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MANAGEMENT OF THE DISTRICT

The District is governed by a Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms. Elections are held in May of even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. Three of the five Directors currently reside within the District and all own property within the District.

Name	Position	Term Expires May
Steven Day	President	2024
Kim Gerry	Vice President	2024
Cindy Pratt	Secretary	2026
Mitch Peters	Deputy Secretary	2024
Holly Larsen	Director	2026

The District does not have a general manager but has contracted for services, as follows:

Bookkeeper – The District has engaged Protocol Bookkeeping, Inc. as the District’s Bookkeeper.

Tax Assessor/Collector – The tax assessor/collector for the District is the Galveston County Tax Office.

Consulting Engineer – The District has engaged the firm A&S Engineers, Inc., Houston, Texas, as Consulting Engineer in connection with the overall planning activities and the design of the System.

Bond Counsel and General Counsel – The District has engaged Bacon, Wallace & Philbin LLP, Houston, Texas, as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The fees paid to Bond Counsel by the District for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds. See “LEGAL MATTERS” and “TAX MATTERS.”

Disclosure Counsel – The District has engaged McCall, Parkhurst & Horton L.L.P. (“Disclosure Counsel”), Dallas, Texas, as Disclosure Counsel in connection with the issuance of the Bonds. The fees paid to Disclosure Counsel by the District for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds. See “LEGAL MATTERS” and “TAX MATTERS.”

District Operator of Water and Sewer Facilities – The District’s water and sewer system is operated by the City of League City pursuant to the Utility Agreement between the District and League City. See “UTILITY AGREEMENT BETWEEN THE DISTRICT AND LEAGUE CITY.”

Auditor – The financial statements of the District as of August 31, 2022, and for the year then ended, included in this offering document, have been audited by FORVIS, LLP, independent auditors, as stated in their report appearing herein. See “Appendix A.”

Financial Advisor – The District has engaged RBC Capital Markets, LLC since 2003 as Financial Advisor to the District in connection with the issuance of the Bonds.

UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND LEAGUE CITY

Description

All land in the District is located within the city limits of the City of League City (“League City”). Shortly after the District was created, the District approved and ratified a Utility Agreement with League City dated March 7, 2000, (the “Utility Agreement”). The Utility Agreement obligates the District to acquire, construct, and extend water, sanitary sewer and drainage facilities (the “System”) to serve land in the District and, when completed in accordance with approved plans and specifications, the District is required to convey title to such utility facilities to League City. League City then operates and maintain such facilities, and is responsible for establishing water and sewer rates and collection charges for water and sewer service from District residents. League City also levies and collects ad valorem taxes on taxable property within the District just as it does with any other property located in League City. As specified

in the Utility Agreement, the District is a “City Service” district and no rebate of City taxes is made by the City.

The Utility Agreements significant provisions include the following:

- A. Limitation on the District’s Bond Indebtedness. The District cannot sell bonds if the ratio of the District’s indebtedness to its assessed valuation exceeds 25% during the first 24 months after the Bond Date and 15% thereafter.
- B. Bonds are required to be issued in series with the minimum limit on each series being \$2,500,000.
- C. The final maturity of all Bonds issued shall not exceed thirty (30) years from the date of the initial series of Bonds.
- D. The District shall, as specified herein, obtain the City’s approval prior to advertising the sale of its Bonds. Whenever possible, the District’s sale of bonds be scheduled so as not to conflict with a City sale of Bonds.
- E. For any Bond issue, the combined projected debt service tax rate, as defined in 31 TAC 293.59 shall not exceed \$1.50.
- F. For each Bond sale, the District shall demonstrate that, at final buildout, the District’s net direct debt as a percentage of current and estimated certified assessed value will not exceed eight and one-half percent (8 ½%).
- G. The District is required to obtain the City’s approval prior to the advertisement and sale of Bonds. Whenever the District requests such approval, the District will provide the City with a copy of the Engineering Report and will certify to the City that the District has complied with the above listed requirements.

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

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

THE SYSTEM

Water, Sanitary Sewer, and Drainage System

The System has been designed to be in conformity with the then current requirements of the Texas Department of Health, the Commission, Galveston County, and League City. Facilities to serve the District have been planned to be integral components of the overall League City master plan for water, wastewater and storm drainage facilities. As System components are completed and accepted by League City, such components, after being acquired by the District, will be conveyed to League City which subsequently will own, operate and maintain the System as outlined in the Utility Agreement.

Source of Water Supply: Water supply for League City is obtained, in part, from the City of Houston pursuant to a long-term contract and delivers it to League City via a 39-inch transmission line to a point on IH 45 some five miles from South Shore Harbour. Past projects of the other South Shore Harbour Development District have extended major water trunk lines close to the District. Additional trunk lines have been extended by the City of League City and the District. Thus, the District is currently connected to the cities trunk line system and is looped to other city lines.

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

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1%

chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. The District's drainage system has been designed and constructed to all current standards.

None of the developable acreage within the District is located within the 100-year flood plain. Additionally, the District's storm water drainage system has been designed and constructed in accordance with current applicable regulatory standards for a development of this size and location.

LEGAL MATTERS

Legal Opinions

The District will furnish the Initial Purchaser a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinions of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State, to the effect that the Bonds are valid and binding obligations of the District. The District will also furnish the approving legal opinions of Bond Counsel to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State. The legal opinions of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District. Bond Counsel's opinions will also address the matters described below under the caption "TAX MATTERS." Bond Counsel's fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds. Bond Counsel acts as counsel for the District on matters other than the issuance of bonds.

In its capacity as Bond Counsel, Bacon, Wallace & Philbin LLP, has reviewed the information appearing in this Official Statement under the captions "THE BONDS," "TAXING PROCEDURES," "THE DISTRICT – Authority" and – "Management of the District – Counsel," "LEGAL MATTERS – Legal Opinions," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes the procedures, law and documents referred to therein and conforms to the requirements of applicable laws and ordinances of the City of League City, Texas, with regard to the sale of the Bonds. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has Bond Counsel conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of the information contained in this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinions of any kind with regard to, the accuracy or completeness of any of the other factual information contained herein.

No Arbitrage

The District will certify on the date the Bonds are delivered and paid for that based upon all facts and estimates now known or reasonably expected to be in existence, 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 Section 148 of the Internal Revenue Code of 1986 (the "Code") and the regulations prescribed from time to time 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 have been authorized to certify to the facts, 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 will covenant in the Bond Order that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures, including without limitation, calculation of the yield on the Bonds, as may be required so that the Bonds will not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

No Material Adverse Change

The obligations of the Initial Purchaser to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale. If the Initial Purchaser elects to purchase municipal bond guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Initial Purchaser of its obligations to take up and pay for the Bonds.

No-Litigation Certificate

The District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, of which the District has notice, either in state or federal courts, contesting or attacking the Bonds; to restrain or enjoin the issuance, execution or delivery of the Bonds; which would affect the provisions made for the payment of or security for the Bonds; which would in any manner question the authority or proceedings for the issuance, execution, or delivery of the Bonds; or which would affect the validity of the Bonds.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Bacon, Wallace & Philbin LLP, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes; and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included in the alternative minimum taxable income of individuals under section 57(a)(5) of the Code or, except as described below, corporations. 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 federal tax 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 matter. 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 judgement 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.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for the Bonds, as stated on the cover of the Official Statement, may be less than the principal amount thereof (the "Original Issue Discount Bonds"). As such, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds.

Under Existing Law, such an owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period for which such Original Issue Discount Bond continues to be owned by such owner. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

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

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, or 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.

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.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner’s social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates, and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible by such taxpayer in determining taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer which is a “financial institution” allocable to tax-exempt obligations, other than “specified private activity bonds,” which are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any subordinate issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as referring to any corporation described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person’s trade or business which is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank” as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

The District expects to designate the Bonds as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action which would assure, or to refrain from such action which would adversely affect, the treatment of the Bonds as “qualified tax-exempt

obligations.” Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded, however, the Internal Revenue Service could take a contrary view. Were the Internal Revenue Service to conclude that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the obligations would not be “qualified tax-exempt obligations.”

SOURCES OF INFORMATION

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Galveston Central Appraisal District and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below under the caption “Certification of Official Statement.” The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. The financial statements of the District as of August 31, 2022, and for the year then ended, included in this offering document, have been audited by FORVIS, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A.”

Consultants

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the section captioned “THE SYSTEM” has been provided by A&S Engineers, Inc., Houston, Texas. Such information has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to the assessed valuations of property generally and, in particular, that information concerning principal taxpayers, tax collection rates and valuations contained in the sections captioned “TAX DATA” and “SELECTED FINANCIAL INFORMATION” has been provided by the Galveston Central Appraisal District and the Galveston County Tax Office.

Updating of Official Statement

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

Certification of Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data contained in this Official Statement, of or pertaining to entities other than the District and their activities are concerned, such statements and

data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

Official Statement “Deemed Final”

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”), this document, as the same may be supplemented or corrected by the District from time to time, may be treated as an Official Statement with respect to the Bonds described herein “deemed final” by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a “final official statement” of the District with respect to the Bonds, as that term is defined in Rule 15c2-12.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data, which is customarily prepared by the District and publicly available, annually to the MSRB. The financial information and operating data which will be provided with respect to the District is found in the sections titled “SELECTED FINANCIAL INFORMATION” (except “Estimate of Overlapping Debt Statement”) and “TAX DATA” and in APPENDIX A (Independent Auditor’s Report and Financial Statements and certain supplemental schedules). The District will update and provide this information to EMMA within six months after the end of each of its fiscal years ending in or after 2023. Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”).

The District’s fiscal year end is currently August 31. Accordingly, it must provide updated information by the last day of February, 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 specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of

proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement only if (1) the amendment is made in connection with a change in circumstances that arise from a change in legal requirements, change in law, or change in the identity, nature, or status of the District; (2) the agreement, as amended, would have complied with SEC Rule 15c2-12 at the date of sale of the Bonds, taking into account any amendments or interpretations of the SEC Rule 15c2-12 as well as any change in circumstances; and (3) the District receives an opinion of nationally recognized bond counsel to the effect that the amendment does not materially impair the interests of the holders and beneficial owners of the Bonds. If any such amendment is made, the District will include in its next annual update an explanation in narrative form of the reasons for the change and its impact on the type of operating data or financial information being provided.

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its previous continuing disclosure undertakings made in accordance with SEC Rule 15c2-12.

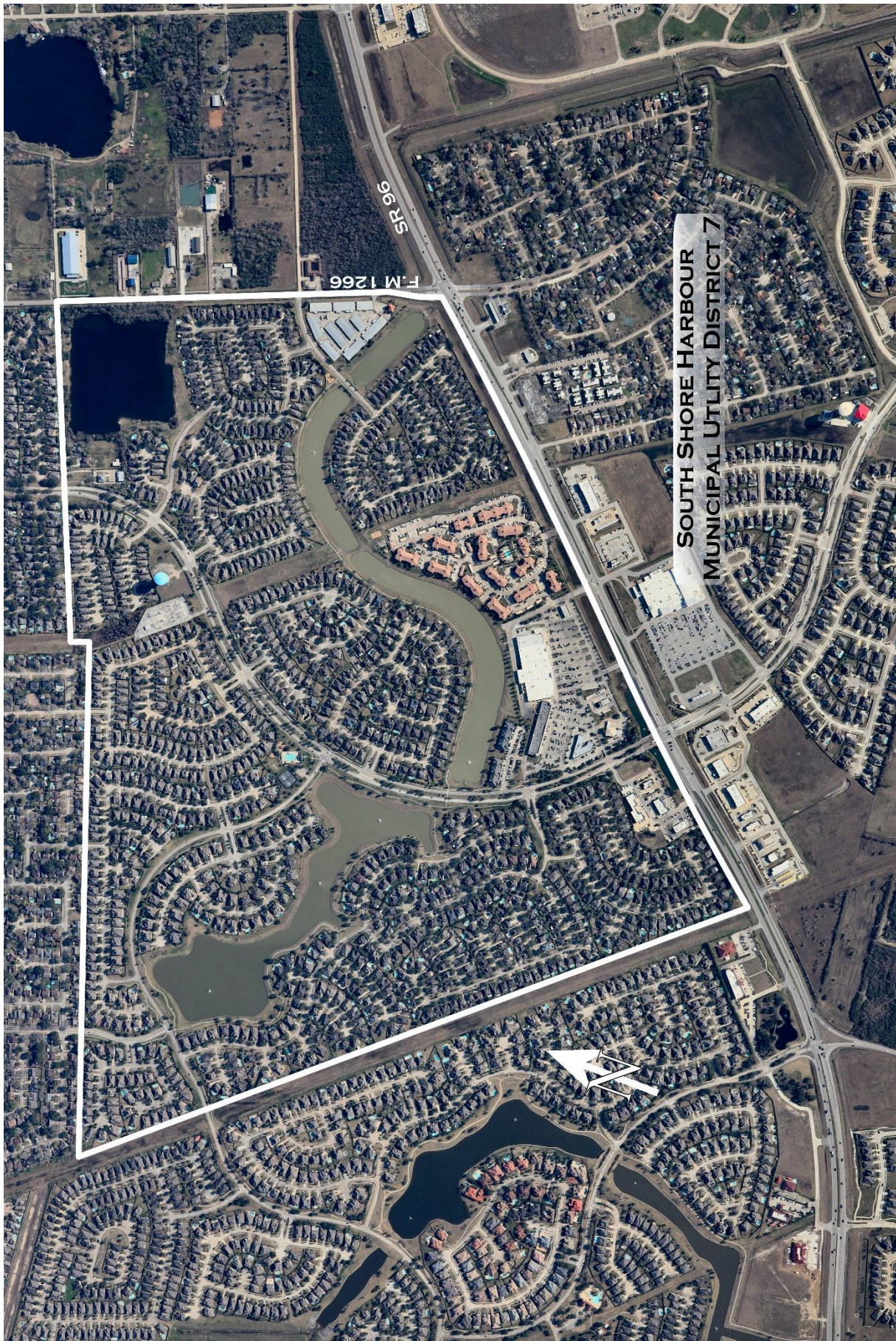
This Official Statement is duly approved by the Board of Directors of the District as of the date specified on the first page hereof.

/s/ _____
Steven Day
President, Board of Directors
South Shore Harbour Municipal Utility District No. 7

ATTEST:

/s/ _____
Cindy Pratt
Secretary, Board of Directors
South Shore Harbour Municipal Utility District No. 7

AERIAL PHOTOGRAPH



APPENDIX A

Independent Auditor's Report and Financial Statements for the Year Ended August 31, 2022