

OFFICIAL STATEMENT DATED JUNE 18, 2019

This Preliminary Official Statement is subject to completion and amendment and is intended 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, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL

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

NEW ISSUE - Book-Entry-Only

RATING: S&P (AGM Insured) "AA"
 Moody's (AGM Insured) "A2"
 Moody's (Underlying) "Baa3"
 (See "MUNICIPAL BOND INSURANCE" and "MUNICIPAL BOND RATING")

\$3,240,000

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 22

(A Political Subdivision of the State of Texas, located within Brazoria and Fort Bend Counties)

UNLIMITED TAX BONDS, SERIES 2019

Dated: July 1, 2019

Due: September 1, as shown below

The \$3,240,000 Brazoria County Municipal Utility District No. 22 Unlimited Tax Bonds, Series 2019 (the "Bonds") are obligations of Brazoria County Municipal Utility District No. 22 (the "District") and are not obligations of the State of Texas, the City of Pearland, Texas, Brazoria County, Texas, Fort Bend County, Texas, or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, the City of Pearland, Texas, Brazoria County, Texas, Fort Bend County, Texas, nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrars, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from July 1, 2019, and is payable September 1, 2019, and on each March 1 and September 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date (the "Record Date"). The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$1,115,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 10605Q(b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 10605Q(b)
2020	\$ 70,000	4.500%	1.750%	ED8	2026(c)	\$110,000	2.000%	2.150%	EK2
2021	80,000	4.500%	1.800%	EE6	2027(c)	110,000	2.000%	2.300%	ELO
2022	85,000	4.500%	1.850%	EF3	2028(c)	120,000	2.000%	2.450%	EM8
2023	95,000	4.500%	1.900%	EG1	2029(c)	115,000	3.000%	2.550%	EN6
2024	105,000	4.500%	1.950%	EH9	2030(c)	115,000	3.000%	2.750%	EP1
2025(c)	110,000	3.500%	2.000%	EJ5					

\$2,125,000 Term Bonds

- \$250,000 Term Bond due September 1, 2032 (c)(d) Interest Rate: 3.000% (Price: \$100.707) (a) CUSIP No. 10605QER7 (b)
- \$260,000 Term Bond due September 1, 2034 (c)(d) Interest Rate: 3.000% (Price: \$100.470) (a) CUSIP No. 10605QET3 (b)
- \$275,000 Term Bond due September 1, 2036 (c)(d) Interest Rate: 3.000% (Price: \$100.000) (a) CUSIP No. 10605QEV8 (b)
- \$290,000 Term Bond due September 1, 2038 (c)(d) Interest Rate: 3.000% (Price: \$98.563) (a) CUSIP No. 10605QEX4 (b)
- \$325,000 Term Bond due September 1, 2040 (c)(d) Interest Rate: 3.000% (Price: \$97.545) (a) CUSIP No. 10605QEZ9 (b)
- \$350,000 Term Bond due September 1, 2042 (c)(d) Interest Rate: 3.000% (Price: \$97.226) (a) CUSIP No. 10605QFB1 (b)
- \$375,000 Term Bond due September 1, 2044 (c)(d) Interest Rate: 3.000% (Price: \$96.899) (a) CUSIP No. 10605QFD7 (b)

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2025, 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, 2024, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.
- (d) Subject to mandatory redemption as provided under "THE BONDS – Redemption Provisions – Mandatory Redemption."

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

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the winning bidder for the Bonds (the "Initial Purchaser"), subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. Delivery of the Bonds is expected on or about July 18, 2019.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, 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 Bond Counsel, for further information.

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

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

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

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

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

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INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Brazoria County Municipal Utility District No. 22 (the "District") of its \$3,240,000 Unlimited Tax Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality, a resolution ("Bond Resolution") adopted by the Board of Directors of the District on the date of sale of the Bonds, and pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and an election held within the District on May 8, 2010, and passed by a majority of the participating voters.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" at a price of 97.000000% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.196090%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

Subject to certain restrictions described in the Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest

on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On December 21, 2018, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2018, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody’s announced it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Capitalization of AGM

At March 31, 2019:

- The policyholders’ surplus of AGM was approximately \$2,523 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described below) were approximately \$1,054 million. Such amount includes 100% of AGM’s contingency reserve and 60.7% of MAC’s contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,848 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM’s wholly owned subsidiary Assured Guaranty (Europe) plc (“AGE”), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as

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

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

Miscellaneous Matters

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

MUNICIPAL BOND RATING

S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present S&P assigns long-term debt ratings with symbols “AAA” (the highest rating) through “D” (the lowest rating). The Bonds are expected to receive an insured rating of “AA” on the Bonds from S&P solely in reliance upon the issuance of the Policy issued by AGM at the time of delivery of the Bonds.

The Bonds are expected to receive an insured rating of “A2” (stable outlook) from Moody’s solely in reliance upon the issuance of the Policy issued by AGM at the time of delivery of the Bonds. Moody’s has assigned an underlying credit rating of “Baa3” to the Bonds. An explanation of the ratings may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007.

A credit rating is not a recommendation to buy, sell or hold securities. There is no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P or Moody’s, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned the Bonds other than the ratings of S&P and Moody’s.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- The Issuer Brazoria County Municipal Utility District No. 22 (the "District"), a political subdivision of the State of Texas, is located in Brazoria County, Texas and Fort Bend County, Texas. See "THE DISTRICT."
- The Issue \$3,240,000 Brazoria County Municipal Utility District No. 22 Unlimited Tax Bonds, Series 2019 (the "Bonds"), are dated July 1, 2019. Interest accrues from July 1, 2019, at the rates set forth on the cover page hereof, and is payable September 1, 2019, and each March 1 and September 1 thereafter until the earlier of stated maturity or optional redemption. The Bonds mature serially on September 1, in each of the years 2020 through 2030, both inclusive, and as term bonds on September 1 in each of the years 2032, 2034, 2036, 2038, 2040, 2042 and 2044, in the principal amounts set forth on the cover page. Bonds maturing on or after September 1, 2025, are subject to redemption, in whole or from time to time in part, on September 1, 2024, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS."
- Book-Entry-Only System..... The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS - Book-Entry-Only System."
- Source of Payment The Bonds are payable from a continuing, direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Pearland, Texas, Brazoria County, Texas, Fort Bend County, Texas, the State of Texas, or any entity other than the District. See "THE BONDS - Source of Payment."
- Principal Use of Proceeds A portion of the proceeds of the sale of the Bonds will be used to redeem the \$1,870,000 Bond Anticipation Note, Series 2018A (the "BAN"), the proceeds of which were used to reimburse the Developer (hereinafter defined) for a portion of the following: (i) partial costs for water wastewater and drainage facilities for extension on Savannah Parkway and Laurel Heights Drive; (ii) drainage and mass grading phase III contract one; (iii) drainage and mass grading phase III contract two; (iv) engineering, geotechnical and surveying for items (i) - (iii); and (v) stormwater pollution prevention planning of items (i) - (iii). In addition, a portion of the proceeds of the Bonds will be used to pay the remaining portion of items (i) - (iii) listed above, developer interest, six (6) months capitalized interest, BAN interest and to pay other BAN and issuance costs of the Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."
- Qualified Tax-Exempt Obligations The Bonds have been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS -Qualified Tax-Exempt Obligations."
- Municipal Bond Insurance..... Assured Guaranty Municipal Corp. ("AGM"). See "MUNICIPAL BOND INSURANCE."

Municipal Bond Rating.....	S&P Global Ratings (“S&P”) – AGM insured – “AA”. Moody’s Investors Service (“Moody’s”) – AGM insured – “A2”. Moody’s – underlying – “Baa3”. See “MUNICIPAL BOND INSURANCE” and “MUNICIPAL BOND RATING.”
Outstanding Bonds	The District has previously issued its \$4,915,000 Unlimited Tax Bonds, Series 2016, \$5,320,000 Unlimited Tax Bonds, Series 2017, \$4,465,000 Unlimited Tax Bonds, Series 2018 and \$7,395,000 Unlimited Tax Bonds, Series 2018A. As of May 1, 2019, \$21,845,000 principal amount of such series of bonds remains outstanding (the “Outstanding Bonds”).
Short Term Debt.....	The District issued the BAN in the principal amount of \$1,870,000 on November 29, 2018. The District will use a portion of the proceeds from the sale of the Bonds to redeem the BAN prior to maturity. Proceeds from the BAN were used to finance portions of certain construction and other costs shown under “THE BONDS – Use and Distribution of Bonds Proceeds.”
Payment Record.....	The District has never defaulted on the payment of its bonded indebtedness.
Authority for Issuance.....	The Bonds are the fifth series of bonds issued out of an aggregate of \$185,920,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of purchasing, constructing, operating and maintaining a water, wastewater and drainage system (the “System”) and refunding of such bonds. Following the issuance of the Bonds, \$160,585,000 principal amount of unlimited tax bonds for water, wastewater and drainage facilities and the refunding of such bonds, \$12,320,000 principal amount of unlimited tax bonds for parks and recreational facilities and refunding such bonds, and \$1,000,000 principal amount of unlimited tax bonds for firefighting facilities will remain authorized but unissued. The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”), an election held within the District on May 8, 2010, a resolution authorizing the issuance of the Bonds approved by the District’s Board of Directors (the “Bond Resolution”), Chapters 49 and 54, Texas Water Code, Article XVI, Section 59 of the Texas Constitution, and the general laws of the State of Texas. See “THE BONDS – Authority for Issuance.”
Legal Opinion.....	Allen Boone Humphries Robinson LLP, Houston, Texas. See “LEGAL MATTERS.”
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Disclosure Counsel.....	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.

THE DISTRICT

Description.....	The District is a political subdivision of the State of Texas, located approximately 20 miles south of the central business district of Houston, Texas. The District lies entirely within the extraterritorial jurisdiction of the City of Pearland, Texas, except for a small portion that is located within the full purpose jurisdiction of the City of Pearland, Texas, consisting primarily of 42 residential lots. The District is a municipal utility district created by an order of the Texas Natural Resource Conservation Commission, now the TCEQ, effective June 18, 2001. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended and other statutes of Texas applicable to municipal utility districts. The District consists of approximately 653.7 acres. See “THE DISTRICT.”
Development within the District	The District is one of two municipal utility districts that make up the approximately 1,250 acre master planned community known as Lakes of Savannah. To date, approximately 342 acres within the District have been developed as the residential subdivision of Laurel Heights of Savannah, Sections 1-9 (168.3 acres, 495 lots) and Stewart Heights at Savannah, Sections 1-8, 11 and 18 (173.8 acres, 531 lots). In addition, 15.5 acres have been developed as Savannah Lakes Elementary School and a fire station and 2.3 acres have been developed for commercial use.

As of May 31, 2019, the District was composed of 797 completed homes, 49 homes under construction and approximately 180 vacant developed lots. The remaining land within the District consists of approximately 269.3 undeveloped but developable acres and approximately 24.5 undevelopable acres consisting of easements, rights of way and greenbelts. See "PRINCIPAL LANDOWNER/DEVELOPER," "DEVELOPMENT OF THE DISTRICT," and "THE DISTRICT."

Developer..... Land within the District is being developed by Savannah Development, Ltd., a Texas limited partnership ("Developer"). Lennar Texas Holding Company, a Texas corporation, is the sole general partner of the Developer. Lennar Texas Holding Company is wholly-owned by Lennar Corporation. See "PRINCIPAL LANDOWNER/DEVELOPER" and "DEVELOPMENT OF THE DISTRICT."

Homebuilders Within the District..... Homebuilders who are active in the District include Lennar, Devon Street Homes, M/I Homes and GreenECO Builders. Prices of new homes being constructed in the District range from the \$200,000's - \$400,000's. See "DEVELOPMENT OF THE DISTRICT - Homebuilders within the District."

INVESTMENT CONSIDERATIONS

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

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

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2018 Assessed Taxable Valuation		\$ 154,923,359 (a)
2019 Preliminary Assessed Valuation.....		\$ 212,902,181 (b)
Estimated Taxable Valuation as of May 1, 2019		\$ 232,985,420 (c)
Direct Debt:		
Outstanding Bonds (as of May 1, 2019)	\$ 21,845,000	
The Bonds	<u>3,240,000</u>	
Total	\$ 25,085,000	
Estimated Overlapping Debt		<u>13,010,576 (d)</u>
Total Direct and Estimated Overlapping Debt		<u>\$ 38,095,576</u>
Direct Debt Ratios:		
As a percentage of 2018 Assessed Taxable Valuation		16.19 %
As a percentage of 2019 Preliminary Assessed Valuation		11.78 %
As a percentage of the Estimated Taxable Valuation as of May 1, 2019		10.77 %
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2018 Assessed Taxable Valuation		24.58 %
As a percentage of 2019 Preliminary Assessed Valuation		17.89 %
As a percentage of the Estimated Taxable Valuation as of May 1, 2019		16.35 %
Debt Service Fund Balance (as of May 21, 2019).....	\$ 1,284,524 (e)	
General Fund Balance (as of May 21, 2019).....	\$ 1,803,541	
Capital Projects Fund Balance (as of May 21, 2019).....	\$ 1,659,664	
2018 Tax Rate per \$100 of Assessed Taxable Valuation		
Debt Service	\$ 0.7500	
Maintenance.....	<u>0.6500</u>	\$ 1.4000
Average Annual Debt Service Requirements		
on the Bonds and the Outstanding Bonds (2019-2044).....		\$ 1,471,310 (f)
Maximum Annual Debt Service Requirements		
on the Bonds and the Outstanding Bonds (2040).....		\$ 1,563,813 (f)
Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2019-2044) at 95% Tax Collections		
Based Upon 2018 Assessed Taxable Valuation (\$154,923,359)		\$ 1.00
Based Upon 2019 Preliminary Assessed Valuation (\$212,902,181).....		\$ 0.73
Based Upon the Estimated Taxable Valuation as of May 1, 2019 (\$232,985,420)		\$ 0.67
Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2040) at 95% Tax Collections		
Based Upon 2018 Assessed Taxable Valuation (\$154,923,359)		\$ 1.07
Based Upon 2019 Preliminary Assessed Valuation (\$212,902,181).....		\$ 0.78
Based Upon the Estimated Taxable Valuation as of May 1, 2019 (\$232,985,420)		\$ 0.71
Number of Single-Family Homes (including 49 homes in various stages of construction) as of May 31, 2019		846 (g)
District Population		2,499 (h)

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- (a) All property located in the District is valued on the appraisal rolls by the Brazoria County Appraisal District and the Fort Bend Central Appraisal District (collectively, the "Appraisal Districts") at 100% of market value as of January 1 of each year. The District's tax roll is certified by the Appraisal Districts. See "TAXING PROCEDURES."
 - (b) Provided by the Appraisal Districts as the preliminary value as of January 1, 2019. This value represents the preliminary determination of the taxable value in the District as of January 1, 2019. No taxes will be levied on this preliminary value, which is subject to protest by landowners. See "TAXING PROCEDURES."
 - (c) Provided by the Appraisal Districts for information purposes only. Represents new construction within the District as of May 1, 2019. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
 - (d) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
 - (e) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. In addition, six (6) months of capitalized interest on the Bonds will be deposited into the Debt Service Fund upon delivery of the Bonds.
 - (f) Debt service requirement on the Bonds and the Outstanding Bonds. See "DISTRICT DEBT."
 - (g) As of May 6, 2019, approximately 714 homes were occupied.
 - (h) Based upon 3.5 residents per occupied single-family home.

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\$3,240,000
BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 22
UNLIMITED TAX BONDS
SERIES 2019

INTRODUCTION

This Official Statement of Brazoria County Municipal Utility District No. 22 (the "District") is provided to furnish information with respect to the issuance by the District of its \$3,240,000 Unlimited Tax Bonds, Series 2019 (the "Bonds"). The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution; and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, (ii) an election held within the District on May 8, 2010, (iii) a resolution (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), and (iv) an Order of the Texas Commission on Environmental Quality (the "TCEQ").

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

THE BONDS

General

The 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 Resolution. A copy of the Bond Resolution may be obtained from the District upon written request made to the District's Bond Counsel, Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The Bonds are dated July 1, 2019, with interest payable September 1, 2019, and each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully-registered serial bonds maturing on September 1 of the years shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners of the Bonds (the "Registered Owners") at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

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

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

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

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

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

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

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

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

The District may decide to discontinue use of the 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 the section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

Successor Paying Agent/Registrar

Provision is made in the Bond Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Registration, Transfer and Exchange

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

Funds

The Bond Resolution confirms the District's Debt Service Fund (the "Debt Service Fund"). Accrued interest and six (6) months of capitalized interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Debt Service Fund. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional bonds payable from taxes issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Redemption of the Bonds

Optional Redemption

The Bonds maturing on and after September 1, 2025, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2024, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

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

Mandatory Redemption

The Bonds maturing on September 1 in the years 2032, 2034, 2036, 2038, 2040, 2042 and 2044 (the "Term Bonds") are also subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity on September 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below at a redemption price of par plus accrued interest to the date of redemption.

\$250,000 Term Bond due September 1, 2032

Mandatory Redemption Date	Principal Amount
September 1, 2031	\$125,000
September 1, 2032 (maturity)	125,000

\$260,000 Term Bond due September 1, 2034

Mandatory Redemption Date	Principal Amount
September 1, 2033	\$125,000
September 1, 2034 (maturity)	135,000

\$275,000 Term Bond due September 1, 2036

Mandatory Redemption Date	Principal Amount
September 1, 2035	\$135,000
September 1, 2036 (maturity)	140,000

\$290,000 Term Bond due September 1, 2038

Mandatory Redemption Date	Principal Amount
September 1, 2037	\$140,000
September 1, 2038 (maturity)	150,000

\$325,000 Term Bond due September 1, 2040

Mandatory Redemption Date	Principal Amount
September 1, 2039	\$160,000
September 1, 2040 (maturity)	165,000

\$350,000 Term Bond due September 1, 2042

Mandatory Redemption Date	Principal Amount
September 1, 2041	\$175,000
September 1, 2042 (maturity)	175,000

\$375,000 Term Bond due September 1, 2044

Mandatory Redemption Date	Principal Amount
September 1, 2043	\$185,000
September 1, 2044 (maturity)	190,000

On or before 30 days prior to each Mandatory Redemption Date as set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of the Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary method of random selection, the Term Bonds or portions of the Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolutions. The principal amount of Term Bonds of a maturity to be redeemed shall be reduced, at the discretion of the District, by the principal amount of any Term Bonds of such maturity, which by the 45th day prior to such Mandatory Redemption Date, shall have either been purchased in the open market and delivered or tendered for cancellation by the District or on behalf of the District to the Registrar or optionally redeemed and which, in either case, have not previously been made the basis for a reduction under this sentence.

Outstanding Bonds

The District has previously issued its \$4,915,000 Unlimited Tax Bonds, Series 2016, \$5,320,000 Unlimited Tax Bonds, Series 2017, \$4,465,000 Unlimited Tax Bonds, Series 2018 and \$7,395,000 Unlimited Tax Bonds, Series 2018A. As of May 1, 2019, \$21,845,000 principal amount of such series of bonds remains outstanding (the "Outstanding Bonds").

Mutilated, Lost, Stolen or Destroyed Bonds

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

Authority for Issuance

The Bonds constitute the fifth installment of the \$185,920,000 principal amount of unlimited tax bonds for water, sewer and drainage purposes and for refunding of such bonds authorized at an election held within the District on May 8, 2010. Following the issuance of the Bonds, \$160,585,000 principal amount of unlimited tax bonds for water, wastewater and drainage facilities and for the refunding of such bonds, \$12,320,000 principal amount of unlimited tax bonds for parks and recreational facilities and refunding of such bonds and \$1,000,000 principal amount of unlimited tax bonds for firefighting facilities will remain authorized but unissued.

Source of Payment

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees and fees of the Appraisal Districts. Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund and used solely to pay principal of and interest on the Bonds, and additional bonds payable from taxes which may be issued, and Paying Agent/Registrar fees.

The Bonds are obligations solely of the District and are not the obligations of the State of Texas, Brazoria County, Texas, Fort Bend County, Texas, the City of Pearland, Texas, or any entity other than the District.

Issuance of Additional Debt

The District may issue additional bonds with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$185,920,000 unlimited tax bonds for water, wastewater and drainage facilities and the refunding of such bonds and could authorize additional amounts. The District's voters have also authorized the issuance of \$12,320,000 unlimited tax bonds for park and recreational facilities and refunding purposes and \$1,000,000 unlimited tax bonds for firefighting facilities. The Bonds are the fifth series of unlimited tax bonds issued by the District for water, wastewater and drainage facilities to serve the District. Following the issuance of the Bonds, \$160,585,000 of unlimited tax bonds for water, wastewater and drainage facilities and for refunding purposes, \$12,320,000 unlimited tax bonds for recreational facilities and refunding purposes and \$1,000,000 unlimited tax bonds for firefighting facilities will remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the TCEQ). Following the issuance of the Bonds, the District will owe the Developer approximately \$14,700,000 for existing water, wastewater and drainage facilities located within the District.

The District is also authorized by statute to engage in firefighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. The Board has adopted a fire plan, received TCEQ approval of the plan, and called an election for such purposes, which was approved by the District's voters. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District prepared a parks master plan, and on May 8, 2010 the District's voters authorized \$12,320,000 in unlimited tax bonds for the purpose of acquiring and constructing parks and recreational facilities. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; (b) consent from the City of Pearland; and (c) approval of the bonds by the Attorney General of Texas. The District has not considered the preparation of a park bond application at this time. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District at the time of issuance.

No Arbitrage

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

Defeasance

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

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Registered Owners’ Remedies

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

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

principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

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Use and Distribution of Bond Proceeds

The construction costs below were compiled by the District's Engineer and were submitted to the TCEQ in the District's Bond Application Report. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor (each hereinafter defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. Any surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

	<u>District's Share</u>
CONSTRUCTION COSTS	
A. Developer Contribution Items	
1. Extension of Savannah Parkway and Laurel Heights Drive - W, WW & D	\$ 813,450
2. Drainage and Mass Grading Phase III (Contract One)	1,022,888
3. Drainage and Mass Grading Phase III (Contract Two)	215,318
4. Engineering, Surveying and Geotech (17.91% of item nos. 1-3)	328,843
5. Storm Water Pollution Prevention Planning (SWPPP) (item nos. 1-3)	82,766
Total Developer Contribution Items	<u>\$ 2,463,265</u>
B. District Items	
1. Land costs for Stewart Heights Sections 4 & 5 (Reserve "D")	<u>\$ 123,225</u>
Total District Items	<u>\$ 123,225</u>
Subtotal Construction Costs	\$ 2,586,490
Less: Use of Surplus Funds	<u>(180,000)</u>
TOTAL NET CONSTRUCTION COSTS:	\$ 2,406,490
NON-CONSTRUCTION COSTS	
A. Legal Fees	\$ 81,000
B. Fiscal Agent Fees	64,800
C. Interest	
1. Capitalized Interest (6 months)	50,438
2. Developer Interest	316,950
3. BAN Interest	33,568
D. Bond Discount	97,200
E. Bond Issuance Expenses	41,075
F. BAN Issuance Expenses	56,495
G. Bond Application Report Costs	45,000
H. Attorney General Fee	3,240
I. TCEQ Bond Issuance Fee	8,100
J. Contingency (a)	35,644
TOTAL NON-CONSTRUCTION COSTS:	\$ 833,510
TOTAL BOND ISSUE REQUIREMENT:	\$ 3,240,000

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

THE DISTRICT

Authority

The District was created by order of the TCEQ, dated June 18, 2001, and by a confirmation election held within the District on August 11, 2001, and operates under Chapters 49 and 54 of the Texas Water Code and other general laws of the State of Texas applicable to municipal utility districts.

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

The District also is authorized to construct, develop and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes, and, under certain limited circumstances, with TCEQ approval, to construct roads. In addition, the District is authorized, upon TCEQ and voter approval, to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District.

Description

At the time of the confirmation election, the District encompassed 327.38 acres. The District has since annexed 326.35 acres. The total acreage of the District is now approximately 653.73 acres. The District is located in Brazoria and Fort Bend Counties, Texas approximately 20 miles south of the City of Houston Central Business District. The District lies approximately 1.25 miles northeast of State Highway 6 and F.M. 521. The District is located within the extraterritorial jurisdiction of the City of Pearland, Texas, except for a small portion that is located within the full purpose jurisdiction of the City of Pearland, Texas, consisting primarily of 42 residential lots.

Management of the District

The District is governed by the Board of Directors (the "Board") consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own taxable property in the District. The directors serve four-year staggered terms. Elections are held in even numbered years in May. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Staci L. Posten	President	2022
Kay Medlin	Vice President	2020
Joe White	Secretary	2020
Katherine Beverick	Assistant Vice President	2020
Ron Wefelmeyer	Assistant Secretary	2022

Investment Policy

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

Consultants

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

Tax Assessor/Collector

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

Bookkeeper

The District's bookkeeper is Myrtle Cruz, Inc.

Auditor

The financial statements of the District as of August 31, 2018, and for the year then ended, included in the offering document, have been audited by BKD, LLP (“BKD”), independent auditors, as stated in their report appearing herein.

Utility System Operator

The District’s water and sewer system is operated by Environmental Development Partners LLC (“EDP”).

Engineer

The District’s Engineer is LJA Engineering, Inc. (the “Engineer”). Such firm acts as engineer for many residential and commercial developments in Texas.

Attorney

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

Financial Advisor

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

Disclosure Counsel

Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel.

Annexation

Under existing Texas law, since the District lies within the extraterritorial jurisdiction of the City of Pearland (the “City”), the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District’s consent, and the City cannot annex territory within the District unless it annexes the entire District; however, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of the Strategic Partnership Agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See “STRATEGIC PARTNERSHIP AGREEMENT AND FIRE SERVICES” below for a description of the terms of the Strategic Partnership Agreement between the City and the District.

If the District is annexed, the City will assume the District’s assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

STRATEGIC PARTNERSHIP AGREEMENT AND FIRE SERVICES

In 2002, the District and the City entered into a Strategic Partnership Agreement, amended in 2014 (the “SPA”), pursuant to Section 43.0751 of the Texas Local Government Code. The District has agreed to cooperate with the City for permanent regional wastewater facilities, to commence once the temporary wastewater capacity leased or utilized by the District and Brazoria County Municipal Utility District No. 21 (“BC MUD 21”) combined exceeds 750,000 gallons per day of treatment capacity. Design of such permanent facilities must begin not later than when the two districts’ average daily flow reaches 75 percent of such capacity, and construction must commence not later than when flows reach 90 percent. In any event, the districts are obligated to commence construction of the permanent facilities prior to lowering their tax rates below \$1.00 per \$100 valuation. The City is authorized to construct or enlarge phases of the wastewater facilities to serve areas outside the District and BC MUD 21.

The District’s ultimate water capacity will be provided by the City through City 12-inch and 16-inch trunk lines, the costs of which will be borne by the District in proportion to the ultimate needs of the District, taking into account existing water supplies at the time of construction. Although the SPA required the districts to size their water plant site to accommodate a 500,000 gallon elevated storage tank, the districts are not required to fund or construct the tank.

Fire/EMS services. According to the SPA and a Fire/Emergency Medical Services (“EMS”) Agreement between the District and the City, the District and the City will cooperate to provide fire services to the District, and the residents of the District pay a monthly fee to the City for such services. The District has received approval of a fire plan by the TCEQ, and in accordance with the Texas Water Code, the District held an election on September 13, 2003, in which the fire plan, including the issuance of unlimited tax bonds in the maximum amount of \$1,000,000, was approved by the voters in the District. The fire plan provides for fire and emergency medical services to be provided by the Pearland Volunteer Fire Department and the City. The District has constructed, in conjunction with the neighboring BC MUD 21, a fire/EMS facility to serve the District and surrounding areas. The facility has been accepted by the City pursuant to the SPA.

Sales Tax. The City is authorized to impose sales and use taxes on commercial areas within the boundaries of the District.

DEVELOPMENT OF THE DISTRICT

Approximately 342 acres (1,026 lots) within the District have been developed into the single-family subdivisions of Laurel Heights at Savannah, Sections 1-9 and Stewart Heights at Savannah, Sections 1-8, 11 and 18. In addition, 15.5 acres have been developed as Savannah Lakes Elementary School and a fire station and 2.3 acres have been developed for commercial purposes.

As of May 31, 2019, the District was composed of 797 completed homes, 49 homes under construction and approximately 180 vacant developed lots. The remaining land within the District consists of approximately 269.3 undeveloped but developable acres and approximately 24.5 undevelopable acres consisting of easements, rights of way and greenbelts.

Status of Development within the District

The following is a status of construction of single-family housing within the District as of May 31, 2019:

<u>Development Area</u>	<u>Platted Acreage</u>	<u>Platted Lots</u>	<u>Homes</u>		<u>Vacant Lots</u>
			<u>Complete</u>	<u>Under Construction</u>	
Laurel Heights at Savannah,					
Section 1	17.1	61	61	0	0
Section 2	9.1	40	40	0	0
Section 3	30.4	28	28	0	0
Section 4	11.7	38	38	0	0
Section 5	12.4	56	56	0	0
Section 6	23.2	59	45	0	14
Section 7	29.3	79	79	0	0
Section 8	18.6	68	68	0	0
Section 9	16.5	66	66	0	0
Stewart Heights,					
Section 1	11.5	50	43	1	6
Section 2	12.0	44	31	3	10
Section 3	39.5	73	51	4	18
Section 4	20.4	62	60	2	0
Section 5	21.8	55	49	4	2
Section 6	10.2	31	2	5	24
Section 7	10.9	46	32	2	12
Section 8	18.5	72	44	8	20
Section 11	18.9	50	4	11	35
Section 18	<u>10.1</u>	<u>48</u>	<u>0</u>	<u>9</u>	<u>39</u>
Total	342.1	1,026	797	49	180
Commercial Acreage	2.3				
School & Fire Station	15.5				
Undeveloped but Developable Acreage	269.3				
Undevelopable Acreage	<u>24.5</u>				
Total District Acreage	653.7				

Homebuilders within the District

Homebuilders who are active in the District include Lennar, Devon Street Homes, Westin Homes, M/I Homes and GreenECO Builders. Prices of new homes being constructed in the District range from the \$200,000's – \$400,000's.

Future Development

Approximately 269.3 acres of developable land in the District remain to be developed with water, sanitary sewer and drainage facilities and approximately 24.5 acres are undevelopable. The District can make no representation that any future development will occur within the District. In the event that future development does occur within the District, it is anticipated that the development costs will be financed through the sale of future bond issues.

PRINCIPAL LANDOWNER/DEVELOPER

Role of the Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in a utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Principal Landowner/Developer

The primary developer of land within the District is Savannah Development Ltd., a Texas limited partnership (the "Developer"). The sole general partner of the Developer is Lennar Texas Holding Company, a Texas corporation. Lennar Texas Holding Company is wholly-owned by Lennar Corporation. Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for Lennar Corporation can be found online at <http://phx.corporate-ir.net/phoenix.zhtml?c=65842&p=irol-irhome>. Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Lennar Corporation can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Certain financial information concerning the Developer is included as part of the consolidated financial statements of Lennar Corporation. However, Lennar Corporation is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations of the Developer. Further, neither the Developer nor Lennar Corporation is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor Lennar Corporation has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer and Lennar Corporation is subject to change at any time. Because of the foregoing, financial information concerning the Developer and Lennar Corporation will neither be updated nor provided following issuance of the Bonds, except as described herein under "CONTINUING DISCLOSURE OF INFORMATION."

Lennar Homes of Texas Land and Construction, a Texas limited partnership, d/b/a Friendswood Development Company ("FDC") is managing the development in the District. FDC's sole general partner also is Lennar Texas Holding Company.

The Developer is also the developer of the land within BC MUD 21, which is adjacent to the District on its southern boundary and is a part of the Lakes of Savannah.

In addition to Savannah, FDC is the developer in the Houston, Texas area master planned communities of Kingwood, West Ranch, Lakemont, Graystone Hills, Wildwood at Northpointe and Fairfield, as well as numerous smaller communities, including Bay Colony West, Clearview Village, Hidden Creek, Falls at Green Meadows and other communities.

THE SYSTEM

Regulation

According to the District's Engineer, the District's System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. Water, wastewater and storm drainage facilities are subject to the regulatory authority of Brazoria County, Texas, Fort Bend County, Texas, the Brazoria County Drainage District No. 4 and the City of Pearland, the Federal Emergency Management Agency and, in some instances, the TCEQ, in some instances,, the U.S. Army Corps of Engineers and the City. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

Operation of the District's System as it now exists or as it may be expanded from time to time is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions, which could in turn require additional expenditures by the District in order to achieve compliance with the regulatory requirements.

Water, Sanitary Sewer and Drainage System

Source of Water Supply: The District currently has a joint facilities/cost sharing agreement with BC MUD 21 for a water plant that includes a 1,300 gallon per minute main well, a 1,500 gallon per minute backup well, hydropneumatic tanks with 55,000 gallons of capacity, two 250,000 gallon ground storage tanks, a 500,000 gallon ground storage tank, and booster pumps with a 5,700 gallon per minute capacity. The current total capacity of the water plant is sufficient to serve approximately 2,850 equivalent single-family connections ("ESFCs"), of which 1,357 ESFCs are contracted to the District. The District will require additional improvements to the water plant in order to complete the balance of the development.

The District previously owned and operated a 300 gallon per minute backup well. Due to production limitations, the well was plugged and abandoned. The District does not currently have any emergency interconnect agreements with neighboring entities. However, the District's construction of Remote Water Well No. 1 with BC MUD 21 provides a second source of water to maintain the TCEQ minimum water supply to the District in the event of an emergency.

Source of Wastewater Treatment: The District has a joint facilities/cost sharing agreement with BC MUD 21 for a 500,000 gallon per day ("gpd") packaged wastewater treatment plant. The total capacity of the plant is sufficient to serve approximately 2,232 ESFCs, of which 1,062 ESFCs are contracted to the District. The District is currently expanding the plant to a 750,000 gpd packaged wastewater treatment plant, and will require additional expansions to the treatment plant in order to complete the balance of development. The District makes no representation when, or if, such expansions shall occur or what the terms of such expansions, if any, will ultimately be.

The District has contracted to participate with the City in regional water and wastewater facilities at a future date. When the packaged wastewater treatment plant's capacity reaches 90% of 750,000 gpd, serving both the District and BC MUD 21, the capacity served by the packaged wastewater treatment plant is required to be replaced with permanent capacity and the City may participate in upsizing the permanent plant to serve areas outside the two districts. In addition, the District will be required to participate in the costs of City water trunkline construction when the City chooses to construct such trunklines to serve the District; provided that the District's cost share will be limited to capacity actually required to serve the District, taking existing capacity into account. See "STRATEGIC PARTNERSHIP AGREEMENT AND FIRE SERVICES."

Certificate of Convenience and Necessity: The District is located in the extraterritorial jurisdiction of the City, an area for which the City currently maintains a Certificate of Convenience and Necessity ("CCN") for retail water and wastewater services. In cooperation with the City, the District acquired a CCN for water and wastewater services within the District, concurrent with the City and is authorized thereby to provide such services in the District.

100 Year Flood Plain

No portion of the District lies within the 100-year floodplain as delineated by the current Flood Insurance Rate Map (FIRM), Map Panel 48039C0020H (revised June 5, 1989) and 48157C0315L (revised April 2, 2014), Brazoria County, Texas and Incorporated Areas.

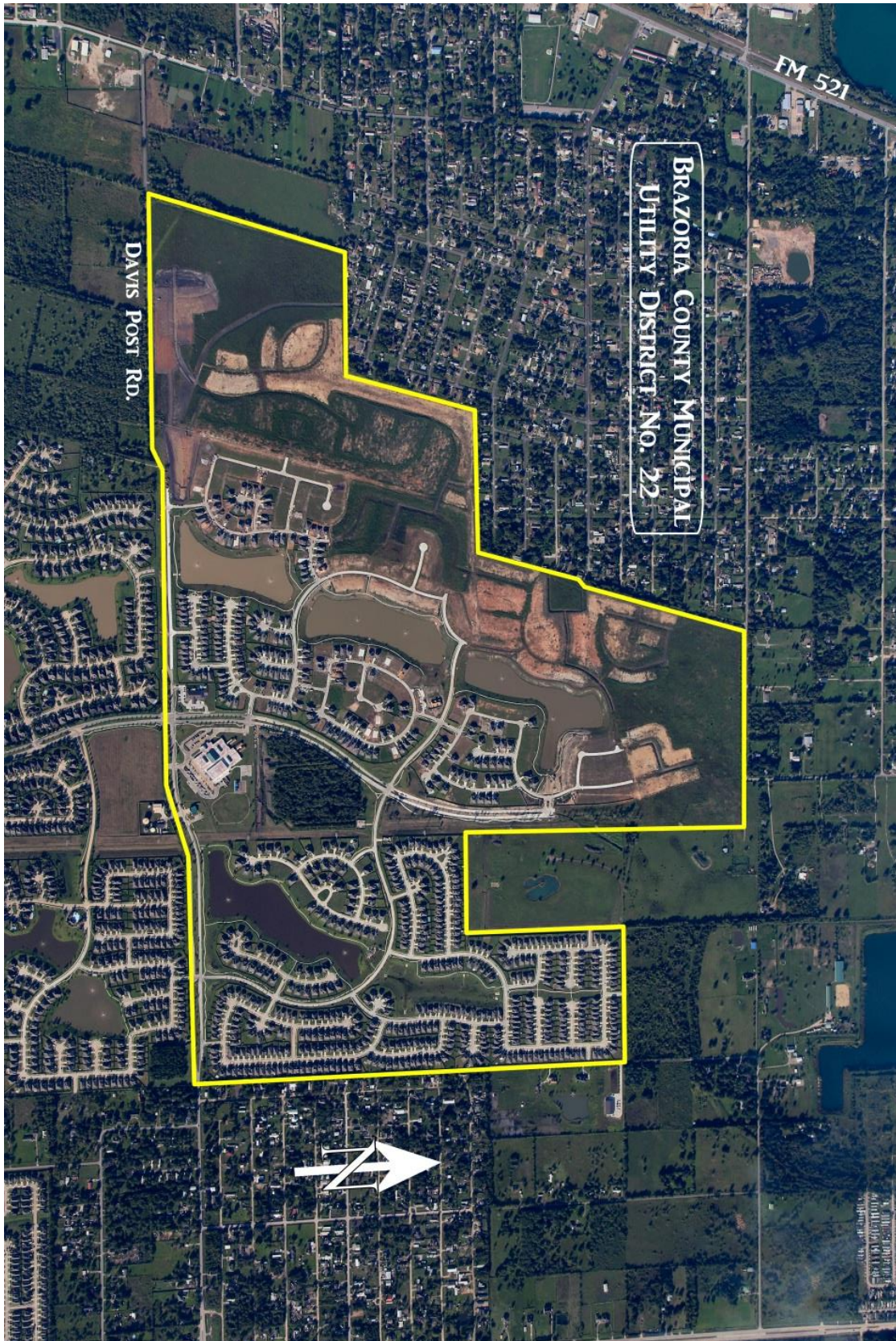
General Fund Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's System. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements for the fiscal years ended August 31, 2015, through August 31, 2018, and from an unaudited summary prepared by the District's bookkeeper for the seven month period ended March 31, 2019. Reference is made to such statements for further and more complete information. See "APPENDIX A."

	UNAUDITED	Fiscal Year Ended August 31,			
	03/31/19	2018	2017	2016	2015
Revenues					
Property Taxes	\$ 971,743	\$ 864,996	\$ 531,342	\$ 87,469	\$ 23,528
Water Service	175,205	241,915	168,036	109,771	37,201
Wastewater Service	153,661	215,113	139,625	60,627	6,977
Fire Protection	90,225	130,467	1,810	1,106	395
Regional Water Fee	1,529	2,693	1,810	1,106	395
Penalty and Interest	11,721	10,038	6,736	3,845	478
Tap Connection and Inspection Fees	175,469	270,159	286,871	267,278	165,211
Investment Revenues	1,407	2,056	586	129	53
Miscellaneous Revenues	0	19,198	23,914	29,767	5,666
Total	<u>\$ 1,580,960</u>	<u>\$ 1,756,635</u>	<u>\$1,158,920</u>	<u>\$ 559,992</u>	<u>\$ 239,509</u>
Expenditures					
Purchased Services	\$ 154,447	\$ 155,053	\$ 97,471	\$ 54,152	\$ 17,924
Professional Fees	64,926	153,792	110,833	106,350	122,062
Contracted Services	258,252	319,160	149,972	86,747	27,222
Utilities	13,249	13,096	9,387	11,176	3,406
Repairs and Maintenance	61,419	143,414	126,773	73,242	68,663
Other	27,761	47,447	53,636	34,037	14,905
Tap Connections	101,492	106,250	124,100	106,200	58,600
Capital Outlay	-	9,900	55,541	-	-
Contribution to other district	-	250,000	55,541	-	-
Debt Issuance Costs	-	68,024	39,475	23,661	-
Total	<u>\$ 681,546</u>	<u>\$ 1,266,136</u>	<u>\$ 767,188</u>	<u>\$ 495,565</u>	<u>\$ 312,782</u>
NET REVENUES (Deficit)	<u>\$ 899,414</u>	<u>\$ 391,732</u>	<u>\$ 391,732</u>	<u>\$ 64,427</u>	<u>\$ (73,273)</u>
Developer Advances	-	-	-	-	150,000
Interfund Transfers In	-	36,175	23,661	-	-
Beginning fund balance	N/A	\$ 557,438	\$ 142,045	\$ 77,618	\$ 891
Ending fund balance	<u>N/A</u>	<u>\$ 1,084,112</u>	<u>\$ 557,438</u>	<u>\$ 142,045</u>	<u>\$ 77,618</u>

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AERIAL PHOTOGRAPH OF THE DISTRICT
(taken October 2018)



DISTRICT DEBT

Debt Service Requirement Schedule

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

Calendar Year	Outstanding Debt Service	The Bonds		Total Debt Service
		Principal	Interest	
2019	\$ 1,149,084	\$ 0	\$ 16,813	\$ 1,165,896
2020	1,383,229	70,000	100,875	1,554,104
2021	1,376,554	80,000	97,725	1,554,279
2022	1,374,026	85,000	94,125	1,553,151
2023	1,364,994	95,000	90,300	1,550,294
2024	1,359,706	105,000	86,025	1,550,731
2025	1,355,141	110,000	81,300	1,546,441
2026	1,359,856	110,000	77,450	1,547,306
2027	1,364,081	110,000	75,250	1,549,331
2028	1,361,544	120,000	73,050	1,554,594
2029	1,367,700	115,000	70,650	1,553,350
2030	1,371,638	115,000	67,200	1,553,838
2031	1,368,594	125,000	63,750	1,557,344
2032	1,369,319	125,000	60,000	1,554,319
2033	1,373,744	125,000	56,250	1,554,994
2034	1,370,444	135,000	52,500	1,557,944
2035	1,376,069	135,000	48,450	1,559,519
2036	1,374,700	140,000	44,400	1,559,100
2037	1,377,056	140,000	40,200	1,557,256
2038	1,372,131	150,000	36,000	1,558,131
2039	1,370,913	160,000	31,500	1,562,413
2040	1,372,113	165,000	26,700	1,563,813
2041	1,366,594	175,000	21,750	1,563,344
2042	1,079,556	175,000	16,500	1,271,056
2043	746,219	185,000	11,250	942,469
2044	463,356	190,000	5,700	659,056
Total	\$ 33,568,359	\$ 3,240,000	\$1,445,713	\$38,254,072
Average Annual Requirement - (2019-2044).....				\$1,471,310
Maximum Annual Requirement - (2040).....				\$1,563,813

Bonded Indebtedness

2018 Assessed Taxable Valuation		\$ 154,923,359 (a)
2019 Preliminary Assessed Valuation.....		\$ 212,902,181 (b)
Estimated Taxable Valuation as of May 1, 2019		\$ 232,985,420 (c)
Direct Debt		
Outstanding Bonds (as of May 1, 2019)	\$ 21,845,000	
The Bonds.....	<u>3,240,000</u>	
Total	\$ 25,085,000	
Estimated Overlapping Debt.....		\$ 13,010,576 (d)
Total Direct and Estimated Overlapping Debt		<u>\$ 38,095,576</u>
Debt Service Fund Balance (as of May 21, 2019).....	\$ 1,284,524 (e)	
General Fund Balance (as of May 21, 2019).....	\$ 1,803,541	
Capital Projects Fund Balance (as of May 21, 2019).....	\$ 1,659,664	
2018 Tax Rate per \$100 of Assessed Taxable Valuation		
Debt Service.....	\$ 0.75	
Maintenance.....	<u>0.65</u>	\$ 1.40
Direct Debt Ratios:		
As a percentage of 2018 Assessed Taxable Valuation (\$154,923,359)		16.19 %
As a percentage of 2019 Preliminary Assessed Valuation (\$212,902,181)		11.78 %
As a percentage of the Estimated Taxable Valuation as of May 1, 2019 (\$232,985,420).....		10.77 %
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2018 Assessed Taxable Valuation (\$154,923,359)		24.58 %
As a percentage of 2019 Preliminary Assessed Valuation (\$212,902,181)		17.89 %
As a percentage of the Estimated Taxable Valuation as of May 1, 2019 (\$232,985,420).....		16.35 %

- (a) All property located in the District is valued on the appraisal rolls by the Brazoria County Appraisal District and the Fort Bend Central Appraisal District (collectively, the "Appraisal Districts") at 100% of market value as of January 1 of each year. The District's tax roll is certified by the Appraisal Districts. See "TAXING PROCEDURES."
- (b) Provided by the Appraisal Districts as the preliminary value as of January 1, 2019. This value represents the preliminary determination of the taxable value in the District as of January 1, 2019. No taxes will be levied on this preliminary value, which is subject to protest by landowners. See "TAXING PROCEDURES."
- (c) Provided by the Appraisal Districts for information purposes only. Represents new construction within the District as of May 1, 2019. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
- (d) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (e) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. In addition, six (6) months of capitalized interest on the Bonds will be deposited into the Debt Service Fund upon delivery of the Bonds.

Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of March 31, 2019	Estimated Overlapping	
		Percent	Amount
Brazoria County	\$ 76,230,000	0.52%	\$ 361,010
Fort Bend County	593,940,527	(a)	0
Fort Bend ISD	1,000,633,767	(a)	0
City of Pearland	306,065,000	(a)	0
Alvin ISD	668,510,000	1.87	12,178,095
Alvin Community College District	32,520,000	1.54	<u>471,471</u>
Total Estimated Overlapping Debt The District			\$ 13,010,576 <u>25,085,000(b)</u>
Total Direct & Estimated Overlapping Debt			<u>\$ 38,095,576(b)</u>

(a) Less than 0.01%.

(b) Includes the Bonds.

Debt Ratios

	% of 2018 Assessed Taxable Valuation	% of 2019 Preliminary Assessed Valuation	% the Estimated Taxable Valuation as of May 1, 2019
Direct Debt (a)	16.19%	11.78%	10.77%
Direct and Estimated Overlapping Debt (a)	24.58%	17.89%	16.35%

(a) Includes the Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt"), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under "THE BONDS - Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. See "TAX DATA - Maintenance Tax."

Property Tax Code and County-wide Appraisal District

Title I of the Texas Tax Code (the "Property Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Code are complex and are not fully summarized herein. The Property Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by such appraisal district. The Brazoria County Appraisal District has the responsibility of appraising property for all taxing units within Brazoria County, including the majority of the District. The Fort Bend Central Appraisal District has the responsibility of appraising property for all taxing units within Fort Bend County, including the portion of the District located within Fort Bend County. The Brazoria County Appraisal District and Fort Bend Central Appraisal District are referred to herein as the "Appraisal Districts." Such appraisal values will be subject to

review and change by the Appraisal Review Board for the applicable appraisal district. The appraisal roll, as approved by the Appraisal Review Board for both Appraisal Districts, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

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

The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

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

Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal Districts at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board for the applicable appraisal district, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

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

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

Certain qualified taxpayers, including owners of residential homesteads, located within a disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board for the applicable appraisal district 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 Districts to compel compliance with the Property Code.

The Property Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

Under current law, the qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "DISTRICT DEBT – Bonded Indebtedness" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 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.

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.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

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

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (see "TAXING PROCEDURES"). The Board has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). The District levied a maintenance tax of \$0.65 per \$100 of assessed valuation and a debt service tax of \$0.75 per \$100 of assessed valuation for the 2018 tax year.

Tax Rate Limitation

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

Maintenance Tax

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

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not

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

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Taxable Valuation which would be required to meet certain debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District’s tax base occurs beyond the 2018 Assessed Taxable Valuation (\$154,923,359), the 2019 Preliminary Assessed Valuation (\$212,902,181) or the Estimated Taxable Valuation as of May 1, 2019 (\$232,985,420). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirements (2019-2044)	\$1,471,310
Tax Rate of \$1.00 on the 2018 Assessed Taxable Valuation produces	\$1,471,772
Tax Rate of \$0.73 on the 2019 Preliminary Assessed Valuation produces	\$1,476,477
Tax Rate of \$0.67 on the Estimated Taxable Valuation as of May 1, 2019 produces.....	\$1,482,952
Maximum Annual Debt Service Requirement (2040)	\$1,563,813
Tax Rate of \$1.07 on the 2018 Assessed Taxable Valuation produces	\$1,574,796
Tax Rate of \$0.78 on the 2019 Preliminary Assessed Valuation produces	\$1,577,605
Tax Rate of \$0.71 on the Estimated Taxable Valuation as of May 1, 2019 produces.....	\$1,571,487

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Estimated Overlapping Taxes

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

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2018 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

<u>Taxing Jurisdictions</u>	<u>2018 Tax Rate Per \$100 of A.V. Brazoria County</u>	<u>2018 Tax Rate Per \$100 of A.V. Fort Bend County</u>
The District (2018)	\$1.400000	\$1.400000
Brazoria County (a)	0.427914	-
Fort Bend County (b)	-	0.464000
Alvin Independent School District	1.450000	-
City of Pearland (c)	-	-
Fort Bend Independent School District	-	1.320000
Alvin Community College District	0.187775	-
Brazoria County Drainage District No. 4	<u>0.146000</u>	-
Total Tax Rate	<u>\$3.611689</u>	<u>\$3.184000</u>

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

(a) Includes Road & Bridge Fund tax and Mosquito Control District tax.

(b) Includes Fort Bend County Drainage District tax.

(c) A small portion of the District, consisting primarily of 42 residential lots lies in the corporate city limits of Pearland, which levied a 2018 tax rate of \$0.7092 per \$100 assessed valuation.

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy	% of Collections Current Year	For the Year Ended September 30	% of Collections as of 4/30/2019
2013	\$ 495,799	\$1.40000	\$ 6,941	100.00%	2014	100.00%
2014	1,680,590	1.40000	23,528	100.00%	2015	100.00%
2015	6,309,371	1.40000	88,331	98.86%	2016	100.00%
2016	50,707,205	1.40000	709,901	97.44%	2017	100.00%
2017	105,209,422	1.40000	1,472,932	99.37%	2018	100.00%
2018	154,923,359	1.40000	2,168,927	98.93%(b)	2019	98.93%

(a) See "Tax Rate Distribution" below.

(b) Collections through April 30, 2019.

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	\$0.75	\$0.59	\$0.32	\$0.00	\$0.00
Maintenance	<u>0.65</u>	<u>0.81</u>	<u>1.08</u>	<u>1.40</u>	<u>1.40</u>
	<u>\$1.40</u>	<u>\$1.40</u>	<u>\$1.40</u>	<u>\$1.40</u>	<u>\$1.40</u>

Assessed Taxable Valuation Summary

The following represents the type of property comprising the 2014-2018 tax rolls as certified by the Appraisal Districts. The District first levied taxes in the fiscal year ended August 31, 2014.

Type of Property	2018 Assessed Taxable Valuation	2017 Assessed Taxable Valuation	2016 Assessed Taxable Valuation	2015 Assessed Taxable Valuation	2014 Assessed Taxable Valuation
Land	\$ 36,698,761	\$ 28,286,900	\$ 21,193,310	\$ 7,340,561	\$ 3,731,231
Improvements	134,529,013	92,206,360	49,043,140	13,979,830	12,500,690
Personal Property	2,065,900	1,148,590	453,060	196,370	198,230
Exemptions	<u>(18,370,315)</u>	<u>(16,432,428)</u>	<u>(19,982,305)</u>	<u>(15,207,390)</u>	<u>(14,749,561)</u>
Total	\$154,923,359	\$ 105,209,422	\$ 50,707,205	\$ 6,309,371	\$ 1,680,590

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2018 tax year.

Taxpayer	Type of Property	Assessed Taxable Valuation 2018 Tax Roll
Savannah Development Ltd (a)	Land & Improvements	\$ 4,019,170
Devon Street Homes	Land & Improvements	2,015,150
Apollos 32 Holdings Inc	Land & Improvements	1,797,040
Lennar Homes of Texas Land & Construction	Land & Improvements	1,640,470
Greeneco Builders LLC	Land & Improvements	1,331,760
M/I Homes of Houston	Land & Improvements	1,082,370
Homeowner	Land & Improvements	505,970
Homeowner	Land & Improvements	493,290
Homeowner	Land & Improvements	483,110
Homeowner	Land & Improvements	<u>374,420</u>
Total		\$ 13,638,020
% of Respective Tax Roll		<u>8.80%</u>

(a) See "PRINCIPAL LANDOWNER/DEVELOPER."

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

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

Principal Landowner/Developer: There is no commitment by or legal requirement of the principal landowner/developer or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any

particular pace with the construction of homes in the District. Moreover, there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT OF THE DISTRICT," "PRINCIPAL LANDOWNER/DEVELOPER" and "TAX DATA - Principal Taxpayers."

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2018 Assessed Taxable Valuation of property located within the District (see "TAX DATA") is \$154,923,359, the 2019 Preliminary Assessed Valuation is \$212,902,181 and the Estimated Taxable Valuation as of May 1, 2019 is \$232,985,420. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds will be \$1,563,813 (2040) and the average annual debt service requirements on the Bonds and the Outstanding Bonds will be \$1,471,310 (2019-2044). Assuming no increase to nor decrease from the 2018 Assessed Taxable Valuation, tax rates of \$1.07 and \$1.00 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. Assuming no increase to nor decrease from the 2019 Preliminary Assessed Valuation, tax rates of \$0.78 and \$0.73 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. Assuming no increase to nor decrease from the Estimated Taxable Valuation as of May 1, 2019 tax rates of \$0.71 and \$0.67 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. In 2018, the District levied a maintenance tax of \$0.65 per \$100 of assessed valuation and a debt service tax of \$0.75 per \$100 of assessed valuation.

Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of homes within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay ad valorem taxes levied by the District.

Hurricane Harvey

The Greater Houston area sustained widespread damage as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the Developer (herein defined), the Engineer (herein defined), and EDP (herein defined), Hurricane Harvey caused no material damage to the District's water distribution, wastewater collection and drainage facilities (the "System") and there was no interruption to water and sewer service in the District. Further, to the best knowledge of the Developer, the Engineer, and EDP, although streets in the District experienced widespread flooding, there were no homes in the District that experienced structural flooding or other material damage. The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region.

As a result of the damages caused by Hurricane Harvey, a number of Texas counties, including Brazoria and Fort Bend Counties, were declared disaster areas by the Governor of the State of Texas. When requested by a local taxing unit, such as the District, appraisal districts are required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. The District did not request a reappraisal for the 2017 tax year. See "TAXING PROCEDURES - Property Tax Code and County-wide Appraisal District."

Potential Impact of Natural Disaster

The District is located near the Texas Gulf Coast and, as it has in the past, could be impacted by high winds and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates."

Competitive Nature of Houston Residential Housing Market

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

related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

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 parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two (2) years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for commercial and other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and commercial and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

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

Marketability

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

Future Debt

The District has the right to issue the remaining \$160,585,000 authorized but unissued unlimited tax bonds for water, wastewater and drainage facilities and the refunding of such bonds, \$12,320,000 authorized but unissued unlimited tax bonds for park and recreational facilities and refunding of such bonds, and \$1,000,000 authorized but unissued unlimited tax bonds for firefighting facilities remaining after the issuance of the Bonds (see "THE BONDS - Issuance of Additional Debt"), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, revenue bonds, special project bonds, and other obligations described in the Bond Resolution. All of the remaining \$160,585,000 in unlimited tax bonds for water, wastewater and drainage facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$160,585,000 in unlimited tax bonds for water, wastewater and drainage facilities is also subject to approval by the TCEQ.

After the issuance of the Bonds, the District will owe the Developer approximately \$14,700,000 for the existing facilities. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS - Issuance of Additional Debt."

The District's Engineer estimates that the aforementioned \$160,585,000 authorized unlimited tax bonds which remain unissued will be adequate to finance the construction of all water, wastewater and drainage facilities to provide service to all of the currently undeveloped portions of the District.

Continuing Compliance with Certain Covenants

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

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

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

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

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and

residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")-Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties-has been designated a nonattainment area under 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.

The HGB Area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. 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 has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB Area is currently designated as a "moderate" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB Area's economic growth and development.

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

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit

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

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

In 2015, the EPA and the United States Army Corps of Engineers ("USACE") promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas, and the litigation challenging the CWR is still pending.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of "waters of the United States." In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of "waters of the United States" to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of "waters of the United States." Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nationwide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved. Subsequently, on May 28, 2019, the U.S. District Court for the Southern District of Texas found that the CWR violated the notice-and-comment requirements of the Administrative Procedures Act, remanded the CWR to the EPA and USACE, and ordered that the preliminary injunction issued September 12, 2018, remain in place pending the proceedings on remand.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of "waters of the United States." The proposed definition outlines six categories of waters that would be considered "waters of the United States," including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not "waters of the United States," such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies took comment on the proposal for 60 days after publication in the Federal Register, which occurred on February 14, 2019. If finalized, the proposed rule would apply nationwide, replacing the patchwork framework for Clean Water Act jurisdiction that has resulted from litigation challenging the CWR.

Due to the pending rulemaking activity and rule challenge litigation, there is significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including permitting requirements.

2019 Legislative Session – Pending Legislation Affecting Ad Valorem Taxation

The 86th Texas Legislature convened on January 8, 2019 and adjourned on May 27, 2019. The Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda. The Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda.

During the 86th Regular Legislative Session, the Texas Legislature passed Senate Bill 2 ("SB 2"), a law that materially changes ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which may have an adverse impact on the District's operations and financial condition.

SB 2 was signed into law by the Governor on June 12, 2019.

SB 2 includes provisions that address the following goals as described by the Texas Senate Research Center: (1) lowering the rollback rate for maintenance and operations taxes from the existing 8.0% for the largest taxing units in the State (but this provision does not apply to school districts); (2) requiring a tax ratification election if the rollback rate is exceeded, eliminating the petition requirement in current statute; (3) making information about the tax rates proposed by local taxing units more accessible to property owners and more timely; and (4) making it easier for property owners to express their opinions about proposed tax rates to local elected officials before tax rates are adopted.

The District cannot predict whether the Governor will call one or more special sessions to address other property tax reforms not included in SB 2.

The Legislature meets in regular session in odd-numbered years, for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The District can make no representations or predictions regarding legislation that may pass during future sessions of the Legislature.

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

LEGAL MATTERS

Legal Opinions

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

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

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

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

No-Litigation Certificate

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

No Material Adverse Change

The obligations of the Purchasers to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth

or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2019 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 2019.

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2019.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material 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 within the meaning of CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided

in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with this agreement in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

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

Experts

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

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

Certification as to Official Statement

The District, acting by and through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

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

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Brazoria County Municipal Utility District No. 22 as of the date shown on the first page hereof.

/s/ Staci L. Posten
President, Board of Directors
Brazoria County Municipal Utility District No. 22

ATTEST:

/s/ Joe White
Secretary, Board of Directors
Brazoria County Municipal Utility District No. 22

APPENDIX A

**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018**

Brazoria County Municipal Utility District No. 22

Brazoria County, Texas

Independent Auditor's Report and Financial Statements

August 31, 2018



Brazoria County Municipal Utility District No. 22
August 31, 2018

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Independent Auditor's Report

Board of Directors
Brazoria County Municipal Utility District No. 22
Brazoria County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Brazoria County Municipal Utility District No. 22 (the District), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of August 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
January 10, 2019

Brazoria County Municipal Utility District No. 22

Management's Discussion and Analysis

August 31, 2018

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

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Management's Discussion and Analysis (Continued)
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Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Brazoria County Municipal Utility District No. 22
Management's Discussion and Analysis (Continued)
August 31, 2018

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	2018	2017
Current and other assets	\$ 1,910,136	\$ 1,526,665
Capital assets	<u>25,770,335</u>	<u>20,369,777</u>
Total assets	<u>\$ 27,680,471</u>	<u>\$ 21,896,442</u>
Long-term liabilities	\$ 28,444,860	\$ 22,363,599
Other liabilities	<u>2,703,070</u>	<u>2,696,524</u>
Total liabilities	<u>31,147,930</u>	<u>25,060,123</u>
Net position:		
Net investment in capital assets	(4,882,010)	(3,895,162)
Restricted	325,101	156,740
Unrestricted	<u>1,089,450</u>	<u>574,741</u>
Total net position	<u>\$ (3,467,459)</u>	<u>\$ (3,163,681)</u>

The total net position of the District decreased by \$303,778 or about 10 percent. The majority of the decrease in net position is related to depreciation expense on the District's capital assets, as well as a contribution to other district. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2018	2017
Revenues:		
Property taxes	\$ 1,474,494	\$ 709,905
Charges for services	590,188	309,471
Other revenues	<u>321,999</u>	<u>328,022</u>
Total revenues	<u>2,386,681</u>	<u>1,347,398</u>

Brazoria County Municipal Utility District No. 22
Management's Discussion and Analysis (Continued)
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Summary of Changes in Net Position (Continued)

	2018	2017
Expenses:		
Services	\$ 1,059,685	\$ 876,117
Contribution to other district	250,000	-
Repayment to other district	-	792,731
Depreciation	525,171	404,910
Debt service	855,603	645,784
Total expenses	2,690,459	2,719,542
Change in net position	(303,778)	(1,372,144)
Net position, beginning of year	(3,163,681)	(1,791,537)
Net position, end of year	\$ (3,467,459)	\$ (3,163,681)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2018, were \$1,730,908 an increase of \$413,715 from the prior year.

The general fund's fund balance increased by \$526,674 primarily due to property taxes and water and sewer service revenues exceeding service operations expenditures and contribution to other district.

The debt service fund's fund balance increased by \$33,778 due to property taxes and proceeds received from a current year bond sale exceeding debt service requirements.

The capital projects fund's fund balance decreased by \$146,737 primarily due to debt issuance costs, principal retirement on a bond anticipation note and capital outlay expenditures exceeding the net proceeds received from current year bond and bond anticipation notes sales.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes and water and sewer service revenues and purchased services and professional fees expenditures being greater than anticipated. In addition, debt issuance costs and a transfer in from the capital projects fund were not included in the current year budget. The fund balance as of August 31, 2018, was expected to be \$963,306 and the actual end-of-year fund balance was \$1,084,112.

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Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows.

Capital Assets (Net of Accumulated Depreciation)

	2018	2017
Land and improvements	\$ 6,509,378	\$ 5,449,857
Construction in progress	370,970	568,053
Water facilities	3,818,162	2,976,537
Wastewater facilities	7,171,105	5,768,270
Drainage facilities	7,900,720	5,607,060
Total capital assets	\$ 25,770,335	\$ 20,369,777

During the current year, additions to capital assets were as follows:

Land additions, including Phase 2 Savannah North Detention; Phases 3, 5 and 7 drainage and mass grading, drainage sites at Stewart Heights, Sections 4 and 5, and drainage easements at Laurel Heights, Section 7 Reserve F	\$ 1,059,521
Construction in progress related to Lakes of Savannah lift station No. 3, Phase 2	14,800
Water, sanitary sewer and drainage facilities for Laurel Heights at Savannah, Sections 4, 5, 6, 7, 8 and 9, Stewart Heights, Sections 3, 4, 5, 6, 7, 8 and 11, extension of Savannah and Laurel Heights Savannah Parkway	4,712,265
12-inch sanitary sewer force main	46,301
Drainage improvements at Phases 1 and 5	92,842
Total additions to capital assets	\$ 5,925,729

The developer within the District has constructed facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission. As of August 31, 2018, a liability for developer-constructed capital assets of \$11,323,100 was recorded in the government-wide financial statements and depreciation was recorded on those assets.

Brazoria County Municipal Utility District No. 22
Management's Discussion and Analysis (Continued)
August 31, 2018

Debt

The changes in the debt position of the District during the fiscal year ended August 31, 2018, are summarized as follows:

Long-term debt payable, beginning of year	\$ 22,363,599
Increases in long-term debt	12,226,309
Decreases in long-term debt	<u>(6,145,048)</u>
 Long-term debt payable, end of year	 <u><u>\$ 28,444,860</u></u>

At August 31, 2018, the District had \$171,220,000 of unlimited tax bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District. Also, the District had \$12,320,000 of unlimited tax bonds authorized but unissued for the purpose of constructing recreational facilities within the District, and \$1,000,000 of unlimited tax bonds authorized, but unissued, for fire-fighting facilities within the District.

The District's bonds carry an underlying rating of "Baa3" from Moody's Investors Service. The Series 2017 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2018 bonds carry a "AA" rating from Standard & Poor's and a "A2" rating from Moody's Investors Service by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

Other Relevant Factors

Relationship to the City of Pearland

The District entered into a Strategic Partnership Agreement (SPA) with the City of Pearland (the City) effective July 1, 2002. Pursuant to the SPA, the District will continue to provide water, sewer and drainage services to all properties within its boundaries until annexation subject to certain regionalization requirements. The District has also entered into a Fire Protection Agreement with the City effective September 19, 2002, for fire and emergency medical services in the District.

Contingencies

The developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$2,650,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Brazoria County Municipal Utility District No. 22
Management's Discussion and Analysis (Continued)
August 31, 2018

Subsequent Events

On October 16, 2018, the District sold its Series 2018A Unlimited Tax Bonds in the amount of \$7,395,000 at a net effective interest rate of 4.169359 percent to redeem the Series 2018 Bond Anticipation Note as well as reimburse the developer for projects constructed within the District.

On November 20, 2018, the District issued its Series 2018A Bond Anticipation Note in the amount of \$1,870,000. The note is dated November 29, 2018, bears interest at the rate of 2.73 percent and matures November 28, 2019, unless called for early redemption. The note was issued to reimburse the developer for projects constructed within the District.

Brazoria County Municipal Utility District No. 22
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 1,079,504	\$ 374,867	\$ 301,319	\$ 1,755,690	\$ -	\$ 1,755,690
Receivables:						
Property taxes	5,338	3,888	-	9,226	-	9,226
Service accounts	127,448	-	-	127,448	-	127,448
Interfund receivable	25,424	-	-	25,424	(25,424)	-
Operating reserve	11,854	-	-	11,854	-	11,854
Prepaid expenditures	5,918	-	-	5,918	-	5,918
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	6,509,378	6,509,378
Construction in progress	-	-	-	-	370,970	370,970
Infrastructure	-	-	-	-	18,889,987	18,889,987
 Total assets	 <u>\$ 1,255,486</u>	 <u>\$ 378,755</u>	 <u>\$ 301,319</u>	 <u>\$ 1,935,560</u>	 <u>\$ 25,744,911</u>	 <u>\$ 27,680,471</u>

Brazoria County Municipal Utility District No. 22
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
August 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 86,131	\$ 1,041	\$ 2,925	\$ 90,097	\$ -	\$ 90,097
Accrued interest payable	-	-	-	-	19,408	19,408
Customer deposits	64,905	-	-	64,905	-	64,905
Due to other district	-	-	-	-	2,513,660	2,513,660
Unearned tap connection fees	15,000	-	-	15,000	-	15,000
Interfund payable	-	25,424	-	25,424	(25,424)	-
Long-term liabilities:						
Due within one year	-	-	-	-	400,000	400,000
Due after one year	-	-	-	-	28,044,860	28,044,860
Total liabilities	<u>166,036</u>	<u>26,465</u>	<u>2,925</u>	<u>195,426</u>	<u>30,952,504</u>	<u>31,147,930</u>
Deferred Inflows of Resources						
Deferred property tax revenues	<u>5,338</u>	<u>3,888</u>	<u>0</u>	<u>9,226</u>	<u>(9,226)</u>	<u>0</u>
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	5,918	-	-	5,918	(5,918)	-
Restricted:						
Unlimited tax bonds	-	348,402	-	348,402	(348,402)	-
Water, sewer and drainage	-	-	298,394	298,394	(298,394)	-
Assigned, operating reserve	11,854	-	-	11,854	(11,854)	-
Unassigned	1,066,340	-	-	1,066,340	(1,066,340)	-
Total fund balances	<u>1,084,112</u>	<u>348,402</u>	<u>298,394</u>	<u>1,730,908</u>	<u>(1,730,908)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,255,486</u>	<u>\$ 378,755</u>	<u>\$ 301,319</u>	<u>\$ 1,935,560</u>		
Net position:						
Net investment in capital assets					(4,882,010)	(4,882,010)
Restricted for debt service					323,528	323,528
Restricted for capital projects					1,573	1,573
Unrestricted					1,089,450	1,089,450
Total net position					<u>\$ (3,467,459)</u>	<u>\$ (3,467,459)</u>

Brazoria County Municipal Utility District No. 22
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended August 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 864,996	\$ 622,596	\$ -	\$ 1,487,592	\$ (13,098)	\$ 1,474,494
Water service	241,915	-	-	241,915	-	241,915
Sewer service	215,113	-	-	215,113	-	215,113
Fire protection	130,467	-	-	130,467	-	130,467
Groundwater conservation district fee	2,693	-	-	2,693	-	2,693
Penalty and interest	10,038	22,661	-	32,699	(4,284)	28,415
Tap connection and inspection fees	270,159	-	-	270,159	-	270,159
Investment income	2,056	1,535	556	4,147	-	4,147
Other income	19,198	80	-	19,278	-	19,278
Total revenues	1,756,635	646,872	556	2,404,063	(17,382)	2,386,681
Expenditures/Expenses						
Service operations:						
Purchased services	155,053	-	-	155,053	-	155,053
Professional fees	153,792	4,430	-	158,222	95,235	253,457
Contracted services	319,160	17,622	-	336,782	2,000	338,782
Utilities	13,096	-	-	13,096	-	13,096
Repairs and maintenance	143,414	-	-	143,414	-	143,414
Other expenditures	47,447	1,971	215	49,633	-	49,633
Tap connections	106,250	-	-	106,250	-	106,250
Capital outlay	9,900	-	4,323,127	4,333,027	(4,333,027)	-
Contribution to other district	250,000	-	-	250,000	-	250,000
Depreciation	-	-	-	-	525,171	525,171
Debt service:						
Principal retirement	-	250,000	2,585,000	2,835,000	(2,835,000)	-
Interest and fees	-	419,253	24,774	444,027	52,457	496,484
Debt issuance costs	68,024	-	291,095	359,119	-	359,119
Total expenditures/expenses	1,266,136	693,276	7,224,211	9,183,623	(6,493,164)	2,690,459
Excess (Deficiency) of Revenues Over Expenditures	490,499	(46,404)	(7,223,655)	(6,779,560)	6,475,782	

Brazoria County Municipal Utility District No. 22
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances (Continued)
Year Ended August 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)						
Interfund transfers in (out)	\$ 36,175	\$ -	\$ (36,175)	\$ -	\$ -	
Repayment of developer advances	-	-	(152,775)	(152,775)	152,775	
General obligation bonds issued	-	80,182	4,384,818	4,465,000	(4,465,000)	
Discount on debt issued	-	-	(133,950)	(133,950)	133,950	
Bond anticipation note issued	-	-	3,015,000	3,015,000	(3,015,000)	
Total other financing sources	<u>36,175</u>	<u>80,182</u>	<u>7,076,918</u>	<u>7,193,275</u>	<u>(7,193,275)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses						
	526,674	33,778	(146,737)	413,715	(413,715)	
Change in Net Position						
					(303,778)	\$ (303,778)
Fund Balances/Net Position						
Beginning of year	<u>557,438</u>	<u>314,624</u>	<u>445,131</u>	<u>1,317,193</u>	-	<u>(3,163,681)</u>
End of year	<u>\$ 1,084,112</u>	<u>\$ 348,402</u>	<u>\$ 298,394</u>	<u>\$ 1,730,908</u>	<u>\$ 0</u>	<u>\$ (3,467,459)</u>

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Brazoria County Municipal Utility District No. 22 (the District) was created by an order of the Texas Natural Resource Conservation Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective June 18, 2001, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. The District also provides solid waste disposal service.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

Brazoria County Municipal Utility District No. 22

Notes to Financial Statements

August 31, 2018

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund - The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2018

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2018

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

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

Investments and Investment Income

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

Brazoria County Municipal Utility District No. 22

Notes to Financial Statements

August 31, 2018

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended August 31, 2018, include collections during the current period or within 60 days of year-end related to the 2017 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended August 31, 2018, the 2017 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are recognized as a liability or asset, respectively, and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

Brazoria County Municipal Utility District No. 22

Notes to Financial Statements

August 31, 2018

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balance

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 25,770,335
Property tax revenue recognition and the related reduction of deferred inflows of resources, are subject to availability of funds in the fund financial statements.	9,226
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(19,408)
Amounts due to other district are not due and payable in the current periods and are not reported in the funds.	(2,513,660)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(28,444,860)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (5,198,367)</u></u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because of the following items.

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2018

Change in fund balances.	\$	413,715
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation and noncapitalized costs in the current year.		3,710,621
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.		152,775
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		133,950
Governmental funds report proceeds from sale of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.		(4,645,000)
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.		(17,382)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(52,457)
Change in net position of governmental activities.	\$	<u><u>(303,778)</u></u>

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2018

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At August 31, 2018, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," certificates of deposit of financial institutions domiciled in Texas, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

At August 31, 2018, the District had no investments.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2018, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Reclassifi- cations	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	\$ 5,449,857	\$ 1,059,521	\$ -	\$ 6,509,378
Construction in progress	568,053	14,800	(211,883)	370,970
Total capital assets, non-depreciable	<u>6,017,910</u>	<u>1,074,321</u>	<u>(211,883)</u>	<u>6,880,348</u>

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2018

Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Reclassifi- cations	Balances, End of Year
Capital assets, depreciable:				
Water production and distribution facilities	\$ 3,252,146	\$ 754,036	\$ 211,883	\$ 4,218,065
Wastewater collection and treatment facilities	6,220,394	1,616,741	-	7,837,135
Drainage facilities	5,893,716	2,480,631	-	8,374,347
Total capital assets, depreciable	<u>15,366,256</u>	<u>4,851,408</u>	<u>211,883</u>	<u>20,429,547</u>
Less accumulated depreciation:				
Water production and distribution facilities	(275,609)	(124,294)	-	(399,903)
Wastewater collection and treatment facilities	(452,124)	(213,906)	-	(666,030)
Drainage facilities	(286,656)	(186,971)	-	(473,627)
Total accumulated depreciation	<u>(1,014,389)</u>	<u>(525,171)</u>	<u>0</u>	<u>(1,539,560)</u>
Total governmental activities, net	<u>\$ 20,369,777</u>	<u>\$ 5,400,558</u>	<u>\$ 0</u>	<u>\$ 25,770,335</u>

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended August 31, 2018, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ 10,235,000	\$ 4,465,000	\$ 250,000	\$ 14,450,000	\$ 400,000
Less discounts on bonds	261,614	133,950	8,324	387,240	-
	9,973,386	4,331,050	241,676	14,062,760	400,000
Bond anticipation notes	2,585,000	3,015,000	2,585,000	3,015,000	-
Due to developer - construction	9,608,438	4,880,259	3,165,597	11,323,100	-
Due to developer - advances	196,775	-	152,775	44,000	-
Total governmental activities long-term liabilities	<u>\$ 22,363,599</u>	<u>\$ 12,226,309</u>	<u>\$ 6,145,048</u>	<u>\$ 28,444,860</u>	<u>\$ 400,000</u>

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2018

General Obligation Bonds

	Series 2016	Series 2017
Amounts outstanding, August 31, 2018	\$4,795,000	\$5,190,000
Interest rates	2.00% to 3.75%	2.25% to 4.75%
Maturity dates, serially beginning/ending	September 1, 2019/2041	September 1, 2019/2042
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2024	September 1, 2025
		Series 2018
Amount outstanding, August 31, 2018		\$4,465,000
Interest rates		2.75% to 5.00%
Maturity dates, serially beginning/ending		September 1, 2019/2043
Interest payment dates		March 1/September 1
Callable date*		September 1, 2023

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The District paid the amount due September 1 within the current fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2018.

Brazoria County Municipal Utility District No. 22

Notes to Financial Statements

August 31, 2018

Year	Principal	Interest	Total
2019	\$ 400,000	\$ 498,798	\$ 898,798
2020	415,000	482,885	897,885
2021	430,000	466,385	896,385
2022	445,000	449,308	894,308
2023	460,000	431,275	891,275
2024-2028	2,525,000	1,926,810	4,451,810
2029-2033	2,965,000	1,526,037	4,491,037
2034-2038	3,525,000	994,331	4,519,331
2039-2043	<u>3,285,000</u>	<u>321,325</u>	<u>3,606,325</u>
Total	\$ 14,450,000	\$ 7,097,154	\$ 21,547,154

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Tax bonds voted	\$ 185,920,000
Tax bonds sold	14,700,000
Refunding bonds voted	185,920,000
Recreational facilities bonds voted	12,320,000
Fire-fighting facilities bonds voted	1,000,000

Due to Developer

The developer within the District has constructed facilities on behalf of the District. The District has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are \$11,323,100. These amounts have been recorded in the financial statements as long-term liabilities.

Developer Advances

Since inception, the developer of the District has advanced \$599,379 to the District for operating expenses of which \$555,379 has been reimbursed and \$44,000 remains outstanding at year-end. The District has agreed to pay the advances, plus interest, to the extent approved by the Commission from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities.

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2018

Bond Anticipation Notes

On May 15, 2018, the District issued its Series 2018 Bond Anticipation Note (the note) in the amount of \$3,015,000. The note is dated May 22, 2018, bears interest at the rate of 2.30 percent and matures May 21, 2019. The note is a special limited obligation of the District and is payable solely from proceeds from the sale of bonds and, therefore, has been excluded from the current portion of long-term liabilities. Subsequent to year-end, the note was called for early redemption with proceeds from the sale of the Series 2018A Unlimited Tax Bonds.

Note 5: Significant Bond Resolutions and Commission Requirements

- A. The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2018, the District levied an ad valorem debt service tax at the rate of \$0.5900 per \$100 of assessed valuation, which resulted in a tax levy of \$621,346 on the taxable valuation of \$105,312,772 for the 2017 tax year. The principal and interest requirements paid from tax revenues and available resources was \$677,191.
- B. In accordance with the Series 2016, Series 2017 and Series 2018 Bond Resolutions, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year	<u>\$</u>	168,421
Additions:		
Interest appropriated from bond proceeds		80,181
Accrued interest received on bonds at date of sale		<u>9,354</u>
		<u>89,535</u>
Deductions--Appropriation from bond interest paid:		
Series 2016		128,094
Series 2017		40,327
Series 2018		<u>80,181</u>
		<u>248,602</u>
Bond interest reserve, end of year	<u><u>\$</u></u>	<u>9,354</u>

- C. During the current year, the District transferred \$36,175 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

Brazoria County Municipal Utility District No. 22

Notes to Financial Statements

August 31, 2018

Note 6: Maintenance Taxes

At an election held August 11, 2001, voters authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property within the District subject to taxation. During the year ended August 31, 2018, the District levied an ad valorem maintenance tax at the rate of \$0.8100 per \$100 of assessed valuation, which resulted in a tax levy of \$853,033 on the taxable valuation of \$105,312,772 for the 2017 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Strategic Partnership Agreement

The District entered into a Strategic Partnership Agreement (SPA) with the City of Pearland (the City) effective July 1, 2002, and as amended July 1, 2014. The SPA provides for the District to separately contract with the City for fire and emergency medical services in the District. The District will continue to provide water, sewer and drainage services to all properties within its boundaries until annexation subject to certain regionalization requirements. The City is authorized to annex any land developed for commercial purposes within the District for the limited purpose of levying and collecting its sales and use taxes within the area of limited purpose annexation in accordance with applicable law.

Note 8: Joint Facilities/Cost Sharing Agreement

The District and Brazoria County Municipal Utility District No. 21 (District No. 21) (collectively, the Districts), entered into a Joint Facilities/Cost Sharing Agreement (Joint Agreement) on March 15, 2010, for the financing and operation of joint water supply, sewage treatment plant and drainage facilities and a fire station to serve the areas within both districts. Operation and maintenance costs will be allocated to each district based on the total number of active connections within each district's boundaries over the total number of active connections within both districts.

The Districts acknowledge and agree that District No. 21 owns legal title to the joint water supply, sewage treatment plant and drainage facilities (the Facilities) for the benefit of both districts. Each district owns capacity and has an equitable interest in the Facilities according to their pro rata shares. In prior years, District No. 21 funded the construction of the Facilities and the District began reimbursing for its pro rata share of the Facilities. As of August 31, 2018, the District has reimbursed District No. 21 \$1,210,315 and has a remaining balance owed of \$2,513,660.

The agreement was first amended on August 18, 2015, whereas District No. 21 was allocated an additional 471 ESFCs in the water supply facilities and 481 ESFCs in the wastewater supply facilities. The table below shows each district's current share in the wastewater treatment plant, water plant and remote water well No. 1.

Brazoria County Municipal Utility District No. 22

Notes to Financial Statements

August 31, 2018

	<u>ESFCs</u>	<u>Percentage</u>
District No. 21	1,846	52.38 %
The District	<u>1,678</u>	<u>47.62</u>
	<u><u>3,524</u></u>	<u><u>100.00 %</u></u>

The District has deposited \$5,964 in District No. 21's joint water plant fund and \$5,890 in its joint wastewater treatment plant fund as the District's share of an operating reserve. During the current year, the District paid \$71,993 and \$83,060 for its share of water and sewer service expenses, respectively.

Note 9: Fire Protection/Emergency Medical Services Agreement

The Districts entered into a Fire Protection/Emergency Medical Services Agreement (Fire Agreement) with the City and Pearland Volunteer Fire Department effective September 19, 2002, for an initial term of 30 years, to provide fire protection services to the Districts in return for payment of monthly fire protection fees. The Districts agreed to finance and construct a fire station and related fixed appurtenances within one of the Districts, which was constructed in a prior year. The Districts are responsible for the maintenance and operational costs of the fire station, including utilities, building maintenance and insurance costs.

During a prior year, District No. 21 funded the construction of the fire station. In accordance with the Joint Agreement, the District will reimburse District No. 21 \$500,000 (adjusted for inflation) with proceeds from the sale of bonds. During the current year, the District made an initial payment of \$250,000 per the Joint Agreement.

Note 10: Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the District carried commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past two fiscal years.

Note 11: Contingencies

The developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$2,650,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Brazoria County Municipal Utility District No. 22
Notes to Financial Statements
August 31, 2018

Note 12: Subsequent Events

On October 16, 2018, the District sold its Series 2018A Unlimited Tax Bonds in the amount of \$7,395,000 at a net effective interest rate of 4.169359 percent to redeem the Series 2018 Bond Anticipation Note as well as reimburse the developer for projects constructed within the District.

On November 20, 2018, the District issued its Series 2018A Bond Anticipation Note in the amount of \$1,870,000. The note is dated November 29, 2018, bears interest at the rate of 2.73 percent and matures November 28, 2019, unless called for early redemption. The note was issued to reimburse the developer for projects constructed within the District.

Required Supplementary Information

Brazoria County Municipal Utility District No. 22
Budgetary Comparison Schedule – General Fund
Year Ended August 31, 2018

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 823,790	\$ 864,996	\$ 41,206
Water service	155,000	241,915	86,915
Sewer service	55,000	215,113	160,113
Fire protection	60,000	130,467	70,467
Groundwater conservation district fee	20,000	2,693	(17,307)
Penalty and interest	-	10,038	10,038
Tap connection and inspection fees	242,000	270,159	28,159
Investment income	100	2,056	1,956
Other income	-	19,198	19,198
Total revenues	1,355,890	1,756,635	400,745
Expenditures			
Service operations:			
Purchased services	70,000	155,053	(85,053)
Professional fees	100,900	153,792	(52,892)
Contracted services	218,560	319,160	(100,600)
Utilities	12,500	13,096	(596)
Repairs and maintenance	125,462	143,414	(17,952)
Other expenditures	72,600	47,447	25,153
Tap connections	100,000	106,250	(6,250)
Capital outlay		9,900	(9,900)
Contribution to other district	250,000	250,000	-
Debt issuance costs	-	68,024	(68,024)
Total expenditures	950,022	1,266,136	(316,114)
Excess of Revenues Over Expenditures	405,868	490,499	84,631
Other Financing Sources			
Interfund transfers in	0	36,175	36,175
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	405,868	526,674	120,806
Fund Balance, Beginning of Year	557,438	557,438	-
Fund Balance, End of Year	\$ 963,306	\$ 1,084,112	\$ 120,806

Brazoria County Municipal Utility District No. 22
Notes to Required Supplementary Information
August 31, 2018

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2018.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

Brazoria County Municipal Utility District No. 22
Other Schedules Included Within This Report
August 31, 2018

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 14-28
- Schedule of Services and Rates
- Schedule of General Fund Expenditures
- Schedule of Temporary Investments – Not Applicable
- Analysis of Taxes Levied and Receivable
- Schedule of Long-term Debt Service Requirements by Years
- Changes in Long-term Bonded Debt
- Comparative Schedule of Revenues and Expenditures – General Fund – Five Years and
Debt Service Fund – Three Years
- Board Members, Key Personnel and Consultants

Brazoria County Municipal Utility District No. 22

Schedule of Services and Rates

Year Ended August 31, 2018

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input checked="" type="checkbox"/> Parks/Recreation	<input checked="" type="checkbox"/> Fire Protection	<input checked="" type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other _____		

2. Retail service providers

a. Retail rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 17.25	5,000	N	\$ 2.70	5,001 to 10,000
				\$ 3.00	10,001 to 20,000
				\$ 3.15	20,001 to 50,000
				\$ 3.30	50,001 to 75,000
				\$ 3.60	75,001 to No Limit
Wastewater:	\$ 31.95	5,000	N	\$ 2.25	5,001 to No Limit
Regional water fee:	\$ 0.03	1	N	\$ 0.03	1,001 to No Limit
Fire service:	\$ 16.73	0	Y		

Does the District employ winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage (including fees): Water \$ 31.05 Wastewater \$ 43.20

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	689	687	x1.0	687
1"	11	11	x2.5	28
1 1/2"	1	1	x5.0	5
2"	18	18	x8.0	144
3"	-	-	x15.0	-
4"	1	1	x25.0	25
6"	1	1	x50.0	50
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	721	719		939
Total wastewater	701	699	x1.0	699

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	89,777
Gallons billed to customers:	89,777
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*"ESFC" means equivalent single-family connections

Brazoria County Municipal Utility District No. 22
Schedule of General Fund Expenditures
Year Ended August 31, 2018

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 13,100	
Legal	118,698	
Engineering	21,994	
Financial advisor	-	
	-	153,792
Purchased Services for Resale		
Bulk water and wastewater service purchases		155,053
Groundwater Conservation District Fee		-
Contracted Services		
Bookkeeping	12,370	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	40,960	
Other contracted services	48,396	
	48,396	101,726
Utilities		13,096
Repairs and Maintenance		143,414
Administrative Expenditures		
Directors' fees	11,400	
Office supplies	9,591	
Insurance	8,234	
Other administrative expenditures	18,222	
	18,222	47,447
Capital Outlay		
Capitalized assets	7,175	
Expenditures not capitalized	2,725	
	2,725	9,900
Tap Connection Expenditures		106,250
Solid Waste Disposal		92,664
Fire Fighting		124,770
Contribution to Other District		250,000
Debt Issuance Costs		68,024
Other Expenditures		-
Total expenditures		\$ 1,266,136

Brazoria County Municipal Utility District No. 22
Analysis of Taxes Levied and Receivable
Year Ended August 31, 2018

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 17,303	\$ 5,021
Additions and corrections to prior years' taxes	(2)	117
Adjusted receivable, beginning of year	17,301	5,138
 2017 Original Tax Levy	 813,577	 592,606
Additions and corrections	39,456	28,740
Adjusted tax levy	853,033	621,346
Total to be accounted for	870,334	626,484
 Tax collections:		
Current year	(847,695)	(617,458)
Prior years	(17,301)	(5,138)
Receivable, end of year	\$ 5,338	\$ 3,888
 Receivable, by Years		
2017	\$ 5,338	\$ 3,888

Brazoria County Municipal Utility District No. 22
Analysis of Taxes Levied and Receivable (Continued)
Year Ended August 31, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Property Valuations				
Land	\$ 28,300,900	\$ 21,193,310	\$ 7,340,561	\$ 3,731,231
Improvements	92,206,360	49,206,210	13,979,830	12,500,690
Personal property	1,148,590	453,060	196,370	198,230
Exemptions	<u>(16,343,078)</u>	<u>(20,145,151)</u>	<u>(15,207,390)</u>	<u>(14,749,561)</u>
 Total property valuations	 <u>\$ 105,312,772</u>	 <u>\$ 50,707,429</u>	 <u>\$ 6,309,371</u>	 <u>\$ 1,680,590</u>
 Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.5900	\$ 0.3200	\$ -	\$ -
Maintenance tax rates*	<u>0.8100</u>	<u>1.0800</u>	<u>1.4000</u>	<u>1.4000</u>
 Total tax rates per \$100 valuation	 <u>\$ 1.4000</u>	 <u>\$ 1.4000</u>	 <u>\$ 1.4000</u>	 <u>\$ 1.4000</u>
 Tax Levy	 <u>\$ 1,474,379</u>	 <u>\$ 709,905</u>	 <u>\$ 88,473</u>	 <u>\$ 23,528</u>
 Percent of Taxes Collected to Taxes Levied**				
	<u>99%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

*Maximum tax rate approved by voters: \$1.50 on August 11, 2001

**Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Brazoria County Municipal Utility District No. 22
Schedule of Long-term Debt Service Requirements by Years
August 31, 2018

Due During Fiscal Years Ending August 31	Series 2016		
	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 125,000	\$ 156,066	\$ 281,066
2020	130,000	153,566	283,566
2021	140,000	150,966	290,966
2022	145,000	148,026	293,026
2023	150,000	144,619	294,619
2024	155,000	140,719	295,719
2025	165,000	136,379	301,379
2026	170,000	131,594	301,594
2027	175,000	126,494	301,494
2028	185,000	121,244	306,244
2029	195,000	115,463	310,463
2030	200,000	109,125	309,125
2031	210,000	102,525	312,525
2032	220,000	95,437	315,437
2033	230,000	88,012	318,012
2034	235,000	79,962	314,962
2035	245,000	71,738	316,738
2036	260,000	63,163	323,163
2037	270,000	54,063	324,063
2038	280,000	44,274	324,274
2039	290,000	34,125	324,125
2040	305,000	23,250	328,250
2041	315,000	11,813	326,813
Totals	<u>\$ 4,795,000</u>	<u>\$ 2,302,623</u>	<u>\$ 7,097,623</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Brazoria County Municipal Utility District No. 22
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2018

Due During Fiscal Years Ending August 31	Series 2017		
	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 135,000	\$ 182,369	\$ 317,369
2020	140,000	175,956	315,956
2021	145,000	169,306	314,306
2022	150,000	162,419	312,419
2023	155,000	155,294	310,294
2024	160,000	147,931	307,931
2025	170,000	144,331	314,331
2026	175,000	140,081	315,081
2027	180,000	135,706	315,706
2028	190,000	130,756	320,756
2029	195,000	125,056	320,056
2030	205,000	119,206	324,206
2031	210,000	112,800	322,800
2032	220,000	106,238	326,238
2033	230,000	99,088	329,088
2034	240,000	91,325	331,325
2035	250,000	83,225	333,225
2036	260,000	74,475	334,475
2037	270,000	65,375	335,375
2038	280,000	55,925	335,925
2039	290,000	46,125	336,125
2040	300,000	35,250	335,250
2041	315,000	24,000	339,000
2042	325,000	12,188	337,188
Totals	<u>\$ 5,190,000</u>	<u>\$ 2,594,425</u>	<u>\$ 7,784,425</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Brazoria County Municipal Utility District No. 22
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2018

Due During Fiscal Years Ending August 31	Series 2018		
	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 140,000	\$ 160,363	\$ 300,363
2020	145,000	153,363	298,363
2021	145,000	146,113	291,113
2022	150,000	138,863	288,863
2023	155,000	131,362	286,362
2024	160,000	123,612	283,612
2025	155,000	118,812	273,812
2026	160,000	114,163	274,163
2027	165,000	109,763	274,763
2028	160,000	105,225	265,225
2029	165,000	100,825	265,825
2030	170,000	95,874	265,874
2031	170,000	90,775	260,775
2032	170,000	85,463	255,463
2033	175,000	80,150	255,150
2034	180,000	74,463	254,463
2035	185,000	68,613	253,613
2036	185,000	62,368	247,368
2037	190,000	56,125	246,125
2038	195,000	49,237	244,237
2039	200,000	42,169	242,169
2040	205,000	34,918	239,918
2041	210,000	27,487	237,487
2042	260,000	19,875	279,875
2043	270,000	10,125	280,125
Totals	<u>\$ 4,465,000</u>	<u>\$ 2,200,106</u>	<u>\$ 6,665,106</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

Brazoria County Municipal Utility District No. 22
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2018

Due During Fiscal Years Ending August 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 400,000	\$ 498,798	\$ 898,798
2020	415,000	482,885	897,885
2021	430,000	466,385	896,385
2022	445,000	449,308	894,308
2023	460,000	431,275	891,275
2024	475,000	412,262	887,262
2025	490,000	399,522	889,522
2026	505,000	385,838	890,838
2027	520,000	371,963	891,963
2028	535,000	357,225	892,225
2029	555,000	341,344	896,344
2030	575,000	324,205	899,205
2031	590,000	306,100	896,100
2032	610,000	287,138	897,138
2033	635,000	267,250	902,250
2034	655,000	245,750	900,750
2035	680,000	223,576	903,576
2036	705,000	200,006	905,006
2037	730,000	175,563	905,563
2038	755,000	149,436	904,436
2039	780,000	122,419	902,419
2040	810,000	93,418	903,418
2041	840,000	63,300	903,300
2042	585,000	32,063	617,063
2043	270,000	10,125	280,125
Totals	<u>\$ 14,450,000</u>	<u>\$ 7,097,154</u>	<u>\$ 21,547,154</u>

Brazoria County Municipal Utility District No. 22
Changes in Long-term Bonded Debt
Year Ended August 31, 2018

	Bond Issues			Totals
	Series 2016	Series 2017	Series 2018	
Interest rates	2.00% to 3.75%	2.25% to 4.75%	2.75% to 5.00%	
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity dates	September 1, 2019/2041	September 1, 2019/2042	September 1, 2019/2043	
Bonds outstanding, beginning of current year	\$ 4,915,000	\$ 5,320,000	\$ -	\$ 10,235,000
Bonds sold during the current year	-	-	4,465,000	4,465,000
Retirements, principal	<u>120,000</u>	<u>130,000</u>	-	<u>250,000</u>
Bonds outstanding, end of current year	<u>\$ 4,795,000</u>	<u>\$ 5,190,000</u>	<u>\$ 4,465,000</u>	<u>\$ 14,450,000</u>
Interest paid during current year	<u>\$ 158,466</u>	<u>\$ 188,544</u>	<u>\$ 80,181</u>	<u>\$ 427,191</u>

Paying agent's name and address:

Series 2016 - Amegy Bank, a division of ZB, N.A., Houston, Texas

Series 2017 - Amegy Bank, a division of ZB, N.A., Houston, Texas

Series 2018 - Amegy Bank, a division of ZB, N.A., Houston, Texas

Bond authority:	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	<u>\$ 185,920,000</u>	<u>\$ 13,320,000</u>	<u>\$ 185,920,000</u>
Amount issued	<u>\$ 14,700,000</u>	<u>\$ -</u>	<u>\$ -</u>
Remaining to be issued	<u>\$ 171,220,000</u>	<u>\$ 13,320,000</u>	<u>\$ 185,920,000</u>
Debt service fund cash and temporary investment balances as of August 31, 2018:			<u>\$ 374,867</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 861,886</u>

Brazoria County Municipal Utility District No. 22
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended August 31,

	Amounts				
	2018	2017	2016	2015	2014
General Fund					
Revenues					
Property taxes	\$ 864,996	\$ 531,342	\$ 87,469	\$ 23,528	\$ 6,941
Water service	241,915	168,036	109,771	37,201	-
Sewer service	215,113	139,625	60,627	6,977	-
Fire protection	130,467	-	-	-	-
Groundwater conservation district fee	2,693	1,810	1,106	395	-
Penalty and interest	10,038	6,736	3,845	478	-
Tap connection and inspection fees	270,159	286,871	267,278	165,211	-
Investment income	2,056	586	129	53	-
Other income	19,198	23,914	29,767	5,666	-
Total revenues	<u>1,756,635</u>	<u>1,158,920</u>	<u>559,992</u>	<u>239,509</u>	<u>6,941</u>
Expenditures					
Service operations:					
Purchased services	155,053	97,471	54,152	17,924	-
Professional fees	153,792	110,833	106,350	122,062	103,974
Contracted services	319,160	149,972	86,747	27,222	9,735
Utilities	13,096	9,387	11,176	3,406	15,768
Repairs and maintenance	143,414	126,773	73,242	68,663	-
Other expenditures	47,447	53,636	34,037	14,905	15,586
Tap connections	106,250	124,100	106,200	58,600	-
Capital outlay	9,900	55,541	-	-	-
Contribution to other Districts	250,000	-	-	-	-
Debt issuance costs	68,024	39,475	23,661	-	-
Total expenditures	<u>1,266,136</u>	<u>767,188</u>	<u>495,565</u>	<u>312,782</u>	<u>145,063</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>490,499</u>	<u>391,732</u>	<u>64,427</u>	<u>(73,273)</u>	<u>(138,122)</u>
Other Financing Sources					
Interfund transfers in	36,175	23,661	-	-	-
Developer advances received	-	-	-	150,000	137,500
Total other financing sources	<u>36,175</u>	<u>23,661</u>	<u>0</u>	<u>150,000</u>	<u>137,500</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>526,674</u>	<u>415,393</u>	<u>64,427</u>	<u>76,727</u>	<u>(622)</u>
Fund Balance, Beginning of Year	<u>557,438</u>	<u>142,045</u>	<u>77,618</u>	<u>891</u>	<u>1,513</u>
Fund Balance, End of Year	<u>\$ 1,084,112</u>	<u>\$ 557,438</u>	<u>\$ 142,045</u>	<u>\$ 77,618</u>	<u>\$ 891</u>
Total Active Retail Water Connections	<u>719</u>	<u>506</u>	<u>337</u>	<u>155</u>	<u>0</u>
Total Active Retail Wastewater Connections	<u>699</u>	<u>493</u>	<u>330</u>	<u>153</u>	<u>0</u>

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
49.2 %	45.9 %	15.6 %	9.8 %	100.0 %
13.8	14.5	19.6	15.5	-
12.2	12.0	10.9	2.9	-
7.4	-	-	-	-
0.2	0.2	0.2	0.2	-
0.6	0.6	0.7	0.2	-
15.4	24.7	47.7	69.0	-
0.1	0.1	0.0	0.0	-
1.1	2.0	5.3	2.4	-
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
8.8	8.4	9.6	7.5	-
8.7	9.6	19.0	51.0	1,498.0
18.2	12.9	14.7	11.4	140.3
0.7	0.8	2.0	1.4	227.2
8.2	11.0	13.1	28.7	-
2.7	4.6	6.1	6.2	224.5
6.1	10.7	19.8	24.4	-
0.6	4.8	-	-	-
14.2	-	-	-	-
3.9	3.4	4.2	-	-
<u>72.1</u>	<u>66.2</u>	<u>88.5</u>	<u>130.6</u>	<u>2,090.0</u>
<u><u>27.9 %</u></u>	<u><u>33.8 %</u></u>	<u><u>11.5 %</u></u>	<u><u>(30.6) %</u></u>	<u><u>(1,990.0) %</u></u>

Brazoria County Municipal Utility District No. 22
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Three Years Ended August 31,

	Amounts		
	2018	2017	2016
Debt Service Fund			
Revenues			
Property taxes	\$ 622,596	\$ 157,243	\$ -
Penalty and interest	22,661	3,798	-
Investment income	1,535	689	93
Other income	80	40	-
	<u>646,872</u>	<u>161,770</u>	<u>93</u>
Total revenues			
Expenditures			
Current:			
Professional fees	4,430	7	-
Contracted services	17,622	12,410	-
Other expenditures	1,971	2,975	-
Debt service:			
Principal retirement	250,000	-	-
Interest and fees	419,253	212,642	30,410
	<u>693,276</u>	<u>228,034</u>	<u>30,410</u>
Total expenditures			
Deficiency of Revenues Over Expenditures	(46,404)	(66,264)	(30,317)
Other Financing Sources			
General obligation bonds issued	80,182	94,272	316,933
	<u>80,182</u>	<u>94,272</u>	<u>316,933</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses			
	33,778	28,008	286,616
Fund Balance, Beginning of Year	<u>314,624</u>	<u>286,616</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 348,402</u>	<u>314,624</u>	<u>286,616</u>

Percent of Fund Total Revenues

2018	2017	2016
96.3 %	97.2 %	- %
3.5	2.4	-
0.2	0.4	100.0
0.0	0.0	-
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.7	0.0	-
2.7	7.7	-
0.3	1.8	-
38.7	-	-
<u>64.8</u>	<u>131.5</u>	<u>32,698.9</u>
<u>107.2</u>	<u>141.0</u>	<u>32,698.9</u>
<u>(7.2) %</u>	<u>(41.0) %</u>	<u>(32,598.9) %</u>

Brazoria County Municipal Utility District No. 22
Board Members, Key Personnel and Consultants
Year Ended August 31, 2018

Complete District mailing address:	Brazoria County Municipal Utility District No. 22 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 31, 2018
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Staci L. Posten	Elected 05/18- 05/22	\$ 2,850	\$ 2,059	President
Kay Medlin	Elected 05/16- 05/20	1,800	357	Vice President
Joe White	Elected 05/16- 05/20	1,650	48	Secretary
Katherine Beverick	Elected 05/16- 05/20	1,500	217	Assistant Vice President
Ron Wefelmeyer	Elected 05/18- 05/22	3,600	2,559	Assistant Secretary

*Fees are the amounts actually paid to a director during the District's fiscal year.

Brazoria County Municipal Utility District No. 22
Board Members, Key Personnel and Consultants (Continued)
Year Ended August 31, 2018

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	07/21/03	\$ 136,536 166,320	General Counsel Bond Counsel
Assessments of the Southwest	07/19/01	8,480	Tax Assessor/ Collector
BKD, LLP	06/16/15	40,400	Auditor
Brazoria County Appraisal District	Legislative Action	9,813	Appraiser
Environmental Development Partners, LLC	07/16/12	264,468	Operator
LJA Engineering & Surveying, Inc.	07/19/10	100,102	Engineer
Myrtle Cruz, Inc.	07/19/01	20,626	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	06/21/16	4,430	Delinquent Tax Attorney
Robert W. Baird & Co. Incorporated.	02/17/15	122,386	Financial Advisor
Investment Officer			
Mary Jarmon	07/19/01	N/A	Bookkeeper

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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