

OFFICIAL STATEMENT DATED JULY 14, 2020

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 BOND COUNSEL'S OPINION.

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

NEW ISSUE - Book-Entry-Only

Ratings: S&P Global Ratings (BAM Insured) . . . "AA" (stable outlook)
Moody's Investors Service (Underlying)..... "A2"
See "BOND INSURANCE" and "RATINGS" herein

\$5,020,000

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 17 (A Political Subdivision of the State of Texas, located within Brazoria County, Texas)

UNLIMITED TAX REFUNDING BONDS, SERIES 2020

The \$5,020,000 Brazoria County Municipal Utility District No. 17 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds"), are obligations of Brazoria County Municipal Utility District No. 17 (the "District") and are not obligations of the State of Texas, Brazoria County, Texas, the City of Pearland, Texas, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Brazoria County, Texas, the City of Pearland, Texas, or any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Dated: August 1, 2020

Due: September 1, as shown below

Principal of the Bonds is payable by the paying agent/registrars, initially, The Bank of New York Mellon Trust Company, N. A., in Dallas, Texas, or any successor paying agent/registrars (the "Paying Agent," "Registrar," or "Paying Agent/Registrar"). Interest on the Bonds accrues from August 1, 2020, and is payable on March 1, 2021 (seven-month interest payment), and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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 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 a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM" or the "Insurer").



MATURITY SCHEDULE CUSIP Prefix (a) 106055

<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>	<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
\$ 405,000	2022	4.00%	0.84%	KT2	\$ 500,000	2027(c)	2.00%	1.40%	KY1
425,000	2023	4.00	0.90	KU9	515,000	2028(c)	2.00	1.49	KZ8
445,000	2024	4.00	0.98	KV7	585,000	2029(c)	2.00	1.55	LA2
465,000	2025	4.00	1.06	KW5	590,000	2030(c)	2.00	1.66	LB0
490,000	2026(c)	2.00	1.20	KX3	600,000	2031(c)	2.00	1.72	LC8

- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor, nor the Underwriters (as defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriters. Initial reoffering yields represent the initial offering price to the public, which has been established by the Underwriters for public offerings and which subsequently may be changed.
- (c) The Bonds maturing on and after September 1, 2026, are subject to redemption prior to maturity at the option of the District, as a whole or in part, on September 1, 2025, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC as long as the Bonds are in book-entry form). The Registered Owner of any Bond, all or a portion of which as been called for redemption, shall be required to present same to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bond so called for redemption and the issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The proceeds of the sale of the Bonds, together with certain funds lawfully available to the District for such purpose, will be applied to refund certain outstanding bonds of the District and to pay the costs of issuance of the Bonds. See "PLAN OF FINANCING - Use of Bond Proceeds." The Bonds, when issued, constitute valid and legally binding obligations of the District, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS – Source of Payment."

The Bonds are offered subject to prior sale, when, as, and if issued by the District and accepted by the Underwriters, subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Houston, Texas. Delivery of the Bonds through DTC is expected on or about August 11, 2020.

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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.

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

All of the summaries of the statutes, orders, resolutions, contracts, audits, and engineering and other related reports set forth in the 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 Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs.

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 that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in the Official Statement, until delivery of the Bonds to the Underwriters (as hereinafter defined), and thereafter only as described under "OFFICIAL STATEMENT - Updating of Official Statement."

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Neither the District nor the Underwriters make any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should, or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions, and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement as well as additional factors beyond the District's control. The important investment considerations and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

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

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

SAMCO Capital Markets, Inc. and RBC Capital Markets, LLC (“RBC”) (together referred to herein as the “Underwriter” or the “Underwriters”), have agreed, pursuant to the terms and conditions contained in a Bond Purchase Agreement, to purchase the Bonds from the District for \$5,245,888.75 (an amount equal to the principal amount of the Bonds, less an Underwriters’ discount of \$37,198.20, plus an original issue premium on the Bonds of \$263,086.95), plus accrued interest on the Bonds to the date of delivery. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriters.

RBC has provided the following information for inclusion in this Official Statement: RBC and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBC and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support, or interest rate swaps). RBC and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the District. RBC and its respective affiliates may also communicate independent investment recommendations, market color, or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District. RBC and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriters on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term “public” shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriters at the yields specified on the cover page. Information concerning reoffering yields or prices is the responsibility of the Underwriters.

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT 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.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM” or the “Insurer”) 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 exhibit to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$459.6 million, \$126.1 million and \$333.5 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insights videos are prepared by BAM and have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and they assume no responsibility for their content.

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

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments.

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

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

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

RATINGS

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P Global Ratings ("S&P"), a business unit of Standard & Poor's Financial Services LLC, based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by Moody's Investors Service, Inc. ("Moody's") is "A2".

An explanation of the significance of the foregoing ratings may only be obtained from S&P and Moody's. The foregoing ratings express only the view of S&P and Moody's at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P and Moody's, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Brazoria County Municipal Utility District No. 17 (the “District”) is a political subdivision of the State of Texas located within Brazoria County, Texas. See “THE DISTRICT - General.”
Description	\$5,020,000 Unlimited Tax Refunding Bonds, Series 2020, are dated August 1, 2020, and mature on September 1 in the years and principal amounts shown on the cover page of this Official Statement. Interest on the Bonds accrues from August 1, 2020, and is payable on March 1, 2021 (seven-month interest payment), and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds scheduled to mature on and after September 1, 2026, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2025, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. See “THE BONDS.” The Bonds will be issued pursuant to a Bond Resolution (the “Bond Resolution”) adopted by the Board of Directors of the District. The Bonds are being issued under the authority of Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended.
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) 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	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “THE BONDS - Source of Payment,” “TAX DATA - Tax Rate Calculations,” and “INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax

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

Other Characteristics

The Bonds are issued in fully registered form, without coupons, in the denomination of \$5,000 each or any integral multiple thereof.

Use of Proceeds

Proceeds of the sale of the Bonds, together with certain funds that are lawfully available to the District for such purpose, will be applied to refund \$5,035,000 of the principal amount of the District's Unlimited Tax Refunding Bonds, Series 2013 (the “Series 2013 Refunding Bonds”). Such maturities of the Series 2013 Refunding Bonds that are being refunded are herein collectively referred to as the “Refunded Bonds.” The proceeds of the sale of the Bonds will also be used to pay the costs of issuance of the Bonds. The sale of the Bonds and the refunding of the Refunded Bonds will (i) reduce the District's debt service payments, and (ii) provide present value savings in the District's debt service.

Payment Record

The District has, in addition to the Series 2013 Refunding Bonds, also issued Unlimited Tax Bonds, Series 2001 (the “Series 2001 Bonds”), Unlimited Tax Bonds, Series 2002 (the “Series 2002 Bonds”), Unlimited Tax Bonds, Series 2004 (the “Series 2004 Bonds”), Unlimited Tax Bonds, Series 2005 (the “Series 2005 Bonds”), Unlimited Tax Bonds, Series 2006 (the “Series 2006 Bonds”), and Unlimited Tax Bonds, Series 2009 (the “Series 2009 Bonds”), to finance water distribution, wastewater collection, and storm drainage facilities (the “System”) and Impact Fees (as defined herein). In addition, the District has issued Unlimited Tax Refunding Bonds, Series 2010 (the “Series 2010 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2012 (the “Series 2012 Refunding Bonds”), the Series 2013 Refunding Bonds, Unlimited Tax Refunding Bonds, Series 2016 (the “Series 2016 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2017 (the “Series 2017 Refunding Bonds”) and Unlimited Tax Refunding Bonds, Series 2019 (the “Series 2019 Refunding Bonds”), to refund certain outstanding bonds of the District. Collective reference is made in this Official Statement to all of such previously issued Bonds as the “Prior Bonds.” The District has never defaulted in the timely payment of principal of or interest on the Prior Bonds. Prior to the issuance of the Bonds, the principal amount of the Prior Bonds that had not been previously retired by the District was \$20,535,000 (the “Outstanding Bonds”). After issuance of the Bonds, the aggregate principal amount of the District's outstanding bonded indebtedness, consisting of the maturities of the Outstanding Bonds not heretofore paid by the District, less the Refunded Bonds, will be \$15,500,000 (the “Remaining Outstanding Bonds”) and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$20,520,000. See “THE BONDS - Issuance of Additional

	Debt,” “DISTRICT DEBT - Debt Service Requirement Schedule,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”
Qualified Tax-Exempt Obligations	The Bonds will be designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS - Qualified Tax-Exempt Obligations.”
Authorized But Unissued Bonds	\$26,005,000 for waterworks, wastewater, and drainage facilities and \$36,716,563.20 for refunding purposes (after issuance of the Bonds). See “THE BONDS - Issuance of Additional Debt.”
Municipal Bond Insurance	Build America Mutual Assurance Company (“BAM”). See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”
Municipal Bond Ratings	S&P Global Ratings (BAM insured) “AA” (stable outlook). Moody’s Investors Service, Inc. (Underlying)...”A2.” See “BOND INSURANCE” and “RATINGS.”
Legal Opinions	Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.”
Verification Agent	Robert Thomas, CPA, LLC. See “VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS.”

THE DISTRICT

Description	The District is a political subdivision of the State of Texas, created by Order of the Texas Natural Resource Conservation Commission, predecessor of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”), on May 21, 1999. The District contains approximately 770.59 acres of land. The District is located entirely within Brazoria County, Texas, and entirely within the corporate boundaries of the City of Pearland, Texas (the “City”). The District is located approximately 15 miles south of the central business district of the City of Houston. The District consists of sixteen non-contiguous tracts of land. Tracts 1, 4-A, 4-B, 4-C, 4-D, 5, 6-A, 6-B, 7-A, 7-B, 8, and 11-E are located north of FM 518 between CR 89 and CR 94. Tracts 11-A, 11-B, 11-C, and 11-D are located south of FM 518 between Hillhouse Road and CR 93. Tracts 9-A, 9-B, and 9-C are located south of FM 518 at the southwest intersection of CR 91 and FM 1128. Tracts 12 and 16 are located north of FM 518 between O’Day Lane and Woody Road. Tract 2 is located at the southwest intersection of Walnut Street and Veterans Drive. Tract 3 is located south of John Lizer Road between SH 35 and Pearland Parkway. Tract 13 is located north of John Lizer Road between SH 35 and Pearland Parkway. Tracts 10, 14, 15-A, 15-B, and 15-C are located north of Dixie Farm Road and
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approximately one mile east of SH 35. The District lies wholly within the Pearland Independent School District. See “THE DISTRICT - General” and - “Description,” and “APPENDIX A - LOCATION MAP.”

The District obtains water, sewer, and drainage service from the City. The City and Sunlake Limited, Hanover Estates, Ltd., and Amvest Properties, Inc., on behalf of the District, entered into a Utility Agreement, dated August 10, 1998, which was assumed on December 7, 1999, by the District (the “Utility Agreement”), to provide a water distribution system, sanitary sewer collection system, and a drainage system (the “System”) to serve the area within the District. In consideration of the District's acquiring and constructing the System on behalf of the City, the City agreed, pursuant to the terms and conditions of the Utility Agreement, to own and operate the System. The District retains ownership and responsibility for the maintenance of the storm water detention system except that Brazoria Drainage District No. 4 has accepted ownership and maintenance responsibilities for certain portions of the detention system and certain homeowners’ associations have accepted certain maintenance responsibilities for a certain portion of the detention system. In addition, the City has agreed to pay to the District the City Tax Rebate and the City Utility Rebate (as such terms are defined and rebates are explained in this Official Statement under “THE DISTRICT - Utility Agreement”). Pursuant to the Utility Agreement, the City provides water supply and wastewater treatment to the District in consideration of the payment by the District of impact fees (“Impact Fees”). See “THE SYSTEM.”

Authority

The rights, powers, privileges, authority, and functions of the District are established by Article XVI, Section 59, of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended. See “THE DISTRICT - General.”

Development, Home Construction, and
Principal Land Owners

As of February 15, 2020, the District contained 1,927 fully developed single-family residential lots on which 1,922 single-family homes have been constructed (including 35 homes under construction). The following commercial above-ground improvements totaling approximately 766,820 square feet of building area have been constructed on tracts within the District that are described below: (i) approximately 90,000 square feet of office park buildings; (ii) approximately 51,344 square feet of self-storage units; (iii) approximately 104,617 square feet of office space; (iv) approximately 178,905 square feet of retail space; (v) approximately 23,202 square feet of restaurant space; (vi) approximately 39,856 square feet of

fitness center space; (vii) approximately 121,739 square feet of hotel space; (viii) approximately 62,573 square feet of nursing/health care space; (ix) approximately 22,026 square feet of storage warehouse buildings; (x) approximately 7,800 square feet of banking space; (xi) approximately 34,416 square feet of day care space; and (xii) approximately 30,342 square feet of medical clinics. There is no single-family residential lot development or commercial development currently underway in the District.

According to the District's Engineer, underground water distribution, wastewater collection, wastewater lift station and force main, and storm drainage/detention facilities and street paving have been completed to serve 1,927 single-family residential lots and other property located in the following platted subdivisions located in the District: Sunrise Lakes, Sections 1 through 7, River Mist, Sections 1 and 2, Parks at Walnut Bend, Sections 1 and 2, Oakbrook Estates, Sections 5 through 9, Pearland Park Estates, Cambridge Lake, Sections 1 and 2, and Pearland Place (a total of approximately 607.35 acres).

Meritage Homes has developed 70 single-family residential lots located in the subdivision that have been platted as Pearland Place (approximately 39.68 acres), as is delineated in the chart that appears in this Official Statement under the caption "DEVELOPMENT, HOME CONSTRUCTION, AND PRINCIPAL LAND OWNERS." Meritage Homes (the "Builder") is currently constructing homes in Pearland Place which range in size from approximately 1,666 to 2,991 square feet of living area and in sales price from approximately \$249,990 to \$319,990.

In addition to such single-family residential development, tracts totaling approximately 89.84 acres located within the District, consisting of an approximately 11.74-acre tract located in the District (the "W.C. Properties Commercial Reserve"); an approximately 4.89-acre tract located in the District (the "Amundsen Commercial Reserve"); two tracts totaling approximately 14.70 acres located in the District (together, the "Sunrise Lake Village Commercial Reserve"); an approximately 5.28-acre tract located within the District (the "Sunrise Lake Center"); an approximately 18.33-acre tract located within the District (the "Pearland Retail Fitness Center"); an approximately 1.38-acre tract located within the District (the "JSC Credit Union Commercial Reserve"); an approximately 11.64-acre tract located within the District ("Tuscany Village Skilled Nursing"); an approximately 2.19-acre tract located within the District ("La Quinta Inn-Suites Pearland"); an approximately 2.0-acre tract located within the District ("Comfort Inn and Suites"); an approximately 9.39-acre tract located within the District (the "Pearland Star 518 Commercial Reserve"); and an

approximately 8.3-acre tract located within the District (the “F.M. 518 West Ltd. Commercial Reserve”) have been provided perimeter trunk utilities and street paving and are available for the construction of above-ground improvements. Commercial above-ground improvements have been constructed on such tracts as is enumerated above.

The balance of the land located in the District consists of approximately 74.7 currently undeveloped acres, including certain acres that are contained within various easements, rights-of-way, detention ponds, or are otherwise not available for future development. Oakbrook Estates, Ltd. (“OEL”), owns approximately 3.7 acres that are designated for future commercial usage. None of the owners of the remaining approximately 71.0 currently undeveloped acres located within the District, including Sunlake Limited, which owns approximately 44.59 of such acres, has reported any definitive development plan covering any of such acres to the District. Since no party, including OEL or Sunlake Limited, is under any obligation to the District to undertake the development of any currently undeveloped portion of the District according to any timetable or at all, the District can make no representation as to when, or whether, the undeveloped portions of the District might be developed. See “FUTURE DEVELOPMENT,” “TAX DATA - Principal 2019 Taxpayers,” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

The District financed the aforementioned underground water distribution, wastewater collection, and storm drainage facilities serving Sunrise Lakes, Sections 1 through 7, River Mist, Sections 1 and 2, Parks at Walnut Bend, Sections 1 and 2, Oakbrook Estates, Sections 5 through 8, Pearland Park Estates, Cambridge Lake, Sections 1 and 2, W.C. Properties Commercial Reserve, and Amundsen Commercial Reserve, plus Impact Fees to the City of Pearland associated with the City's provision of water supply and wastewater treatment to such properties, with portions of the proceeds of the sale of the Prior Bonds. The District financed such facilities to serve Oakbrook Estates, Section 9, and Impact Fees with surplus funds that the District had on hand in the District's General Fund and Construction Fund. The District expects to finance the underground water distribution, wastewater collection, and storm drainage facilities to serve Pearland Place and the currently undeveloped property located within the District that might be developed in the future, Impact Fees to the City of Pearland associated with the City's provision of water supply and wastewater treatment to such property, and other items, with the proceeds of the sale of bonds, if any, by the District in the future. See “THE SYSTEM.”

Infectious Disease Outlook (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”),

which is currently affecting many parts of the world, including the United States and Texas. As described herein under “INVESTMENT CONSIDERATIONS - Infectious Disease Outlook (COVID-19)”, federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values [or homebuilding activity] within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition.

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(Unaudited)

2019 Assessed Valuation		\$529,078,912(a)
(As of January 1, 2019)		
See "TAX DATA" and "TAXING PROCEDURES"		
2020 Preliminary Valuation		\$594,963,314(b)
(As of January 1, 2020)		
See "TAX DATA" and "TAXING PROCEDURES."		
Direct Debt: Remaining Outstanding Bonds		\$ 15,500,000
The Bonds		<u>5,020,000</u>
Total		\$ 20,520,000
Estimated Overlapping Debt		\$ 42,570,307
Direct and Estimated Overlapping Debt		<u>\$ 63,090,307(c)</u>
Direct Debt Ratio		
: as a percentage of 2019 Assessed Valuation		3.88%
: as a percentage of 2020 Preliminary Valuation		3.45%
Direct and Estimated Overlapping Debt Ratio		
: as a percentage of 2019 Assessed Valuation		11.92%
: as a percentage of 2020 Preliminary Valuation		10.60%
Debt Service Fund Balance Estimated as of Delivery of the Bonds		\$ 3,014,947(d)
General Fund Balance at June 2, 2020		\$ 2,787,365
2019 Tax Rate Per \$100 of Assessed Valuation		
Debt Service Tax	\$0.26	
Maintenance Tax	<u>0.10</u>	
Total		\$0.36(e)
Average Percentage of Total Tax Collections (2009 through 2018)		99.94%
As of May 31, 2020.		
Tax Collections 2019 Levy as of May 31, 2020		
(In process of collection.)		97.72%
City of Pearland Tax Rebate Estimated to be Received in 2020		
Based Upon 2019 Assessed Valuation		\$ 753,937(e)
Average Annual Debt Service Requirements of the Bonds		
and the Remaining Outstanding Bonds (2021-2031)		\$ 2,084,306
Maximum Annual Debt Service Requirement of the Bonds		
and the Remaining Outstanding Bonds (2031)		\$ 2,159,150
Tax Rate per \$100 of Assessed Valuation Required to Pay Average		
Annual Debt Service Requirements of the Bonds and the		
Remaining Outstanding Bonds (2021-2031) at 95% Tax Collections		
Based Upon 2019 Assessed Valuation		\$0.27(c)(e)
Based Upon 2020 Preliminary Valuation		\$0.24(c)(e)

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement of the Bonds and the Remaining Outstanding Bonds (2031) at 95% Tax Collections	
Based Upon 2019 Assessed Valuation	\$0.28(c)(e)
Based Upon 2020 Preliminary Valuation	\$0.25(c)(e)

Number of Single-Family Residences (including 35 homes under construction) as of February 15, 2020 1,922

Commercial Improvements Within the District as of February 15, 2020

Completed - Totaling Approximately 766,820 Square Feet of Building Area

Office Park Buildings	Approximately 90,000 square feet
Self-storage Units	Approximately 51,344 square feet
Office Space	Approximately 104,617 square feet
Retail Space	Approximately 178,905 square feet
Restaurant Space	Approximately 23,202 square feet
Fitness Center	Approximately 39,856 square feet
2 Hotels	Approximately 121,739 square feet
Nursing/Health Care Facility	Approximately 62,573 square feet
2 Banks	Approximately 7,800 square feet
Storage Warehouse Buildings	Approximately 22,026 square feet
Day Care	Approximately 34,416 square feet
Medical Clinics	Approximately 30,342 square feet

- (a) As of January 1, 2019. All property located in the District is valued on the tax rolls by the Brazoria County Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Brazoria County Appraisal Review Board (the "Appraisal Review Board").
- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2020, as reflected on the District's preliminary 2020 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2020 values resulting from the construction of taxable improvements from January 1, 2019, through December 31, 2019. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2019 taxable value of personal property located within the District. The taxable value of personal property on the District's 2019 tax roll was \$16,461,250. The District's ultimate 2020 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2020. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT." The District expects to finance the underground water distribution, wastewater collection, and storm drainage facilities to serve Pearland Place and the currently undeveloped property located within the District that might be developed in the future, Impact Fees to the City of Pearland associated with the City's provision of water supply and wastewater treatment to such property, and other items, with the proceeds of the sale of bonds, if any, by the District in the future.
- (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such fund balance gives effect to the timely payment by the District of its debt service requirements that were due on March 1, 2020, and the contribution by the District of \$51,000 to the refunding of the Refunded Bonds. The District's remaining debt service requirements for 2020, which are due on September 1, consist of \$1,671,075 of principal and interest on the Outstanding Bonds. The District's initial debt service payment on the Bonds is due on March 1, 2021, and consists of a seven-month interest payment thereon.

- (e) The District has levied a debt service tax of \$0.26 per \$100 of Assessed Valuation and a maintenance tax of \$0.10 per \$100 of Assessed Valuation for 2019. The District lies wholly within the municipal boundaries of the City of Pearland, Texas (the “City”), and all land within the District is subject to taxation by the City. See “TAX DATA - Estimated Overlapping Taxes.” Pursuant to the Utility Agreement between the District and the City, the City is obligated to pay annually a sum to the District in the form of a “City Tax Rebate” as defined in the Utility Agreement and described in this Official Statement under the caption “THE DISTRICT - Utility Agreement.” The calculations of tax rates required to pay the Average Annual and Maximum Annual Debt Service Requirements assume the receipt by the District of a City Tax Rebate of \$753,937, the estimated amount to be received in 2020 based upon the District's 2019 Assessed Valuation. The District currently intends to apply the City Tax Rebate to payment of the Bonds, the Remaining Outstanding Bonds, and any additional bonds, debts, or obligations, whether or not on a parity with the Bonds, that may be issued by the District in the future. However, the City Tax Rebate is not pledged to the payment of the Bonds and is subject to modification by agreement of the District and the City. Therefore, there is no assurance that the City Tax Rebate will not be reduced or eliminated in the future or used for retirement of any District obligation(s). For calculations of the tax rates required to pay the Average Annual and Maximum Annual Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds assuming the receipt of no City Tax Rebate, see “TAX DATA - Tax Rate Calculations.” As is enumerated in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2019 tax levies of all overlapping taxing units that levy taxes upon property located in the District, plus the District's 2019 rate, is \$3.058045. Such aggregate levies are higher than the aggregate tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of municipal utility districts in the Houston metropolitan area and the area of the District that are in stages of development comparable to the District. See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 17
UNLIMITED TAX REFUNDING BONDS
SERIES 2020**

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Brazoria County Municipal Utility District No. 17 (the “District”) of its \$5,020,000 Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”).

There follow in this Official Statement descriptions of the Bonds and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs of duplication thereof.

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 resolution (the “Bond Resolution”) of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. A copy of the Bond Resolution may be obtained from the District upon written request made to the District’s Financial Advisor, Rathmann & Associates, L.P., 8584 Katy Freeway, Suite 250, Houston, Texas 77024.

The Bonds are dated August 1, 2020. Interest accrues from August 1, 2020, at the rates shown on the cover hereof, and is payable on March 1, 2021 (seven-month interest payment), and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds are fully registered bonds maturing on September 1 of the years and in the amounts, and bearing interest at the rates, shown under “MATURITY SCHEDULE” on the cover page of this Official Statement. Principal of the Bonds will be payable by the paying agent/registrars, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or any successor paying agent/registrars (the “Paying Agent,” “Registrar,” or “Paying Agent/Registrar”).

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 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 below under “Book-Entry-Only System.”

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of 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 and the Financial Advisor believe the source of such information to be reliable, but neither the District nor the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating from S&P 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 purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If fewer 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.

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

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

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

Assignments, Transfers, and Exchanges

In the event the book-entry-only system is discontinued, the Bonds may be transferred, registered, and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Underwriter (the "Initial Delivery"), any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt 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 denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to 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 (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The term "Record Date" as used herein means, for an interest payment date, the fifteenth calendar day of the month next preceding that interest payment date. The District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

Redemption Provisions

Bonds maturing on September 1, 2026, and thereafter are subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If fewer than all of the Bonds are redeemed at any time, the particular maturity or maturities and amounts to be redeemed shall be selected by the District. If fewer than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of

which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Replacement of Registrar

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

Authority for Issuance

At an election held within the District on August 14, 1999, voters of the District authorized a total of \$27,000,000 in bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities and \$16,200,000 for refunding purposes. At a second election held within the District on April 7, 2001, voters of the District authorized an additional \$33,000,000 in bonds for the purpose of acquiring or constructing such facilities and an additional \$22,800,000 for refunding purposes. After the sale of the Bonds, a total of \$26,005,000 principal amount of unlimited tax bonds for facilities, and \$36,716,563.20 for refunding purposes will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; Article XVI, Section 59, of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and Chapter 1207, Texas Government Code, as amended.

Source of Payment

The Bonds (together with the Remaining Outstanding Bonds, as defined herein, and such additional unlimited tax bonds as may hereafter be issued by the District) are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. 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, and Registrar fees. Debt service 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, the Remaining Outstanding Bonds, and on such additional bonds payable from taxes that may be issued, and Registrar fees.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Brazoria County, 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 Texas Commission on Environmental Quality (the "TCEQ" or "Commission"), 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 \$60,000,000 unlimited tax bonds for construction of water distribution, wastewater collection and storm drainage facilities, and could authorize additional amounts. The District's voters also have authorized \$39,000,000 in unlimited tax bonds for refunding purposes. Following the issuance of the Bonds, \$26,005,000 unlimited tax bonds for facilities and \$36,716,563.20 for refunding purposes will remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds that may be issued by the District.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) preparation of a detailed park plan; (c) authorization of park bonds by the qualified voters in the District; (d) approval of the park project and bonds by the TCEQ; and (e) approval of the bonds by the Attorney General of Texas. 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. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (c) approval of the master plan and bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. See “INVESTMENT CONSIDERATIONS - Future Debt.”

No Arbitrage

The District certifies 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.

Dissolution

Under existing Texas law, since the District lies wholly within the corporate limits of the City of Pearland, Texas, the District may be dissolved by the City of Pearland, without the District's consent, subject to compliance by the City of Pearland with various requirements of Chapter 43 of the Texas Local Government Code, as amended. If the District is dissolved, the City of Pearland must assume the District's assets and obligations (including the Bonds) and abolish the District within 90 days of the date of dissolution. Dissolution of a district by the City of Pearland is a policy-making matter within the discretion of the Mayor and City Council of the City of Pearland; therefore, the District makes no representation that the City of Pearland will ever dissolve the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Pearland to make debt service payments should dissolution occur.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

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. Even if 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. Certain traditional legal remedies also may not be available. 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. See “Bankruptcy Limitation to Registered Owners' Rights” below and “INVESTMENT CONSIDERATIONS - Registered Owners' Remedies and Bankruptcy.”

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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 that would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

PLAN OF FINANCING

Use of Bond Proceeds

Proceeds of the sale of the Bonds, together with certain funds that are lawfully available to the District for such purpose, will be applied to refund \$5,035,000 of the principal amount of the District's Unlimited Tax Refunding Bonds, Series 2013 (the "Series 2013 Refunding Bonds"). Such maturities of the Series 2013 Refunding Bonds that are being refunded are herein collectively referred to as the "Refunded Bonds." The proceeds of the sale of the Bonds will also be used to pay the costs of issuance of the Bonds. The sale of the Bonds and the refunding of the Refunded Bonds will (i) reduce the District's debt service payments, and (ii) provide present value savings in the District's debt service.

The Refunded Bonds

The principal amounts and maturity dates (or mandatory redemption amounts and dates, as applicable) of the Refunded Bonds are set forth below.

<u>Maturity Date</u>	Series 2013 Refunding Refunded Bonds <u>Principal Amount</u>	
2022	\$405,000	
2023	420,000	
2024	435,000	
2025	455,000	
2026	475,000	
2027	495,000	
2028	515,000	
2029	595,000	
2030	610,000	
2031	630,000	
Redemption Date:	9/1/2020	
Aggregate Principal Amount of Refunded Bonds		\$5,035,000

Payment of the Refunded Bonds

The Refunded Bonds, and the interest due thereon, are to be paid on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as paying agent for the Refunded Bonds (the “Paying Agent for the Refunded Bonds”).

The Bond Resolution provides that from the proceeds of the sale of the Bonds and other available funds of the District, the District will deposit with the Paying Agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Paying Agent for the Refunded Bonds in a segregated payment account (the “Payment Account”). At the time of delivery of the Bonds, Robert Thomas CPA, LLC, will verify to the District, the Paying Agent for the Refunded Bonds and the Financial Advisor that the monies held in the Payment Account are sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See “VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS.” By the deposit of the cash with the Paying Agent for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolution of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts so deposited, and the amounts so deposited in the Payment Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

The Non-Refunded Bonds (Remaining Outstanding Bonds)

The District has, in addition to the Series 2013 Refunding Bonds, also issued Unlimited Tax Bonds, Series 2001 (the “Series 2001 Bonds”), Unlimited Tax Bonds, Series 2002 (the “Series 2002 Bonds”), Unlimited Tax Bonds, Series 2004 (the “Series 2004 Bonds”), Unlimited Tax Bonds, Series 2005 (the “Series 2005 Bonds”), Unlimited Tax Bonds, Series 2006 (the “Series 2006 Bonds”), and Unlimited Tax Bonds, Series 2009 (the “Series 2009 Bonds”), to finance water distribution, wastewater collection, and storm drainage facilities (the “System”) and Impact Fees (as defined herein). In addition, the District has issued Unlimited Tax Refunding Bonds, Series 2010 (the “Series 2010 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2012 (the “Series 2012 Refunding Bonds”), the Series 2013 Refunding Bonds, Unlimited Tax Refunding Bonds, Series 2016 (the “Series 2016 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2017 (the “Series 2017 Refunding Bonds”) and Unlimited Tax Refunding Bonds, Series 2019 (the “Series 2019 Refunding Bonds”), to refund certain outstanding bonds of the District. Collective reference is made in this Official Statement to all of such previously issued Bonds as the “Prior Bonds.” The District has never defaulted in the timely payment of principal of or interest on the Prior Bonds. Prior to the issuance of the Bonds, the principal amount of the Prior Bonds that had not been previously retired by the District was \$20,535,000 (the “Outstanding Bonds”). After issuance of the Bonds, the aggregate principal amount of the District’s outstanding bonded indebtedness, consisting of the maturities of the Outstanding Bonds not heretofore paid by the District, less the Refunded Bonds, will be \$15,500,000 (the “Remaining Outstanding Bonds”) and the aggregate principal amount of the District’s bonded indebtedness, including the Bonds, will be \$20,520,000.

The principal amounts and maturity dates (or mandatory redemption amounts and dates, as applicable) of the Remaining Outstanding Bonds are as follows:

<u>Maturity Date</u>	<u>Series 2012 Refunding Non-Refunded Bonds</u>	<u>Series 2013 Refunding Non-Refunded Bonds</u>	<u>Series 2016 Refunding Non-Refunded Bonds</u>	<u>Series 2017 Refunding Non-Refunded Bonds</u>	<u>Series 2019 Refunding Non-Refunded Bonds</u>
9/1/2020	\$240,000	\$235,000	\$165,000	\$745,000	\$ 30,000
9/1/2021	250,000	245,000	170,000	765,000	5,000
9/1/2022			170,000	795,000	115,000
9/1/2023			170,000	815,000	120,000
9/1/2024			175,000	845,000	125,000
9/1/2025			185,000	870,000	120,000
9/1/2026			190,000	905,000	125,000
9/1/2027			195,000	950,000	125,000
9/1/2028			200,000	990,000	125,000
9/1/2029			205,000		1,190,000
9/1/2030			210,000		1,235,000
9/1/2031			<u>215,000</u>		<u>1,285,000</u>
	<u>\$490,000</u>	<u>\$480,000</u>	<u>\$2,250,000</u>	<u>\$7,680,000</u>	<u>\$4,600,000</u>

Total Principal Amount of Non-Refunded Bonds (Remaining Outstanding Bonds) \$15,500,000

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds will be applied as follows:

SOURCES OF FUNDS:

Principal Amount of Bonds	\$5,020,000.00
Plus: Original Issue Premium on the Bonds	263,086.95
District Contribution	51,000.00
Accrued Interest	<u>3,755.56</u>
Total Sources of Funds	\$5,337,842.51

USE OF FUNDS:

Deposit with Paying Agent for the Refunded Bonds	\$5,122,100.00
Deposit Accrued Interest to Debt Service Fund	3,755.56
Expenses:	
Underwriters' Discount	37,198.20
Municipal Bond Insurance Premium and Other Issuance Expenses	<u>174,788.75</u>
Total Uses of Funds	\$5,337,842.51

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Natural Resource Conservation Commission, predecessor of the TCEQ, dated May 21, 1999, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies totally within the corporate limits of the City of Pearland, Texas, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also authorized by statute to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ, the City of Pearland, and the voters of the District. The District may also provide park and recreational facilities after approval of the City of Pearland. See "THE BONDS - Issuance of Additional Debt."

The District is required to observe certain requirements of the City of Pearland that limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Pearland of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Pearland and filed in the real property records of Brazoria County. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Utility Agreement

The District is located totally within the corporate limits of the City of Pearland (the "City") and obtains water, sewer, and drainage service from the City. The City and Sunlake Limited, Hanover Estates, Ltd., and Amvest Properties, Inc., on behalf of the District entered into a Utility Agreement dated August 10, 1998, which was assumed by the District on December 7, 1999 (the "Utility Agreement"), to provide a water distribution system, sanitary sewer collection system and a drainage system (the "System") to serve the District. In consideration of the District's acquiring and constructing the System on behalf of the City, the City agreed, pursuant to the terms and conditions of the Utility Agreement, to own and operate the System. The District retains ownership and responsibility for the maintenance of the storm water detention system except that Brazoria Drainage District No. 4 has accepted ownership and maintenance responsibilities for certain portions of the detention system and certain homeowners' associations have accepted maintenance responsibilities for a certain portion of the detention system. In addition, the City has agreed to pay to the District a portion of the ad valorem taxes imposed and collected by the City on land and improvements located within the District equal to \$0.15 per \$100 of Assessed Valuation (the "City Tax Rebate") and to pay the District a sum equal to \$5 per month per equivalent single-family connection located within the District (the "City Utility Rebate"). The City has on occasion been late on payments due under the Utility Agreement; however, the District has received no indication from the City that the City does not intend to honor the terms of the Utility Agreement. Pursuant to the Utility Agreement, the City provides water supply and wastewater treatment to the District in consideration of the payment by the District of Impact Fees equal to \$6,477 per equivalent single-family connection. The Utility Agreement requires the District to deposit the City Tax Rebate received by the District from the City into a debt service fund of the District and to apply such funds solely to the payment of bonds and other debts, liabilities, and obligations of the District to or for the benefit of any persons or entities relating to the financing, construction, and acquisition of all or any portion of the facilities constructed or acquired by the District. The Utility Agreement does not require the District to pledge, and the District has not pledged, the City Tax Rebate for payment of bonds, debts, or obligations of the District, including the Bonds. Therefore, the City Tax Rebate is subject to modification by agreement of the District and the City.

As construction of each phase of the System is certified to be complete in accordance with the final plans and specifications approved by the City, the District is to transfer such portion of the System with construction drawings thereof to the City reserving a security interest therein until the bonds issued to acquire and construct the System have been retired. Upon transfer, the City has agreed to operate and maintain the System at its expense. Under the Utility Agreement, the City has agreed to charge customers of the System the same rates charged other similar users within the City, plus the \$5.00 per month per equivalent single-family connection charge (the City Utility Rebate) mentioned above. Except for the City Utility Rebate, all revenue from the System, including any charges that the City may impose for connection to the System, belongs exclusively to the City.

The City, as owner and operator of the System, has agreed to supply the District with all of its requirements for potable water and wastewater treatment. See “THE SYSTEM.”

Description

The District contains approximately 770.59 acres of land. The District is located entirely within Brazoria County, Texas, and entirely within the corporate boundaries of the City of Pearland, Texas (the “City”). The District is located approximately 15 miles south of the central business district of the City of Houston. The District consists of sixteen non-contiguous tracts of land. Tracts 1, 4-A, 4-B, 4-C, 4-D, 5, 6-A, 6-B, 7-A, 7-B, 8, and 11-E are located north of FM 518 between CR 89 and CR 94. Tracts 11-A, 11-B, 11-C, and 11-D are located south of FM 518 between Hillhouse Road and CR 93. Tracts 9-A, 9-B, and 9-C are located south of FM 518 at the southwest intersection of CR 91 and FM 1128. Tracts 12 and 16 are located north of FM 518 between O’Day Lane and Woody Road. Tract 2 is located at the southwest intersection of Walnut Street and Veterans Drive. Tract 3 is located south of John Lizer Road between SH 35 and Pearland Parkway. Tract 13 is located north of John Lizer Road between SH 35 and Pearland Parkway. Tracts 10, 14, 15-A, 15-B, and 15-C are located north of Dixie Farm Road and approximately one mile east of SH 35. The District lies wholly within the Pearland Independent School District. See “APPENDIX A - LOCATION MAP.”

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. None of the Directors currently resides in the District.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
James W. Chick	President	2022
Roy Adame, Jr.	Vice President	2024
Michael A. Mastrangelo	Assistant Vice President	2024
Tiffany Demasi	Secretary	2022
Ryan Miller	Assistant Secretary	2022

The District does not have a general manager or any other employee but has contracted for service as follows:

Tax Assessor/Collector - The District has engaged Assessments of the Southwest, Inc., Friendswood, Texas, as the District's Tax Assessor/Collector. According to Assessments of the Southwest, Inc., it presently serves approximately 200 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Brazoria County Appraisal District and bills and collects such levy.

Consulting Engineers - The District has employed the firm of Huitt-Zollars, Inc., Houston, Texas, as Consulting Engineer in connection with the overall planning activities and the design and construction of certain portions of the System. In addition, various other engineers were engaged by certain Developers in connection with the design and construction of portions of the System.

Bookkeeper - The District has engaged Myrtle Cruz, Inc., as the District's Bookkeeper. According to Myrtle Cruz, Inc., it currently serves approximately 350 districts as bookkeeper.

Auditor - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's auditor for the 2019 fiscal year is McGrath & Co., PLLC, Certified Public Accountants, Houston, Texas. A copy of the District's audit for the fiscal year ended February 29, 2020, is included as "APPENDIX B" to this Official Statement.

Bond Counsel and General Counsel - Allen Boone Humphries Robinson LLP, Houston, Texas ("Bond Counsel"), serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with issuance of the Bonds is based on a percentage of the Bonds actually issued and sold and therefore, is contingent upon the sale and delivery of the Bonds. In addition, Allen Boone Humphries Robinson LLP serves as general counsel to the District on matters other than the issuance of bonds.

Financial Advisor - The District has engaged Rathmann & Associates, L.P., as financial advisor (the "Financial Advisor") to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P., is an independent municipal advisor registered with the United States Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"). Rathmann & Associates, L.P.'s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.'s SEC registration Forms MA and MA-1's, which constitute Rathmann & Associates, L.P.'s registration filings, may be accessed through http://www.sec.gov/edgar/searchedgar/company_search.html.

DEVELOPMENT, HOME CONSTRUCTION, AND PRINCIPAL LAND OWNERS

As of February 15, 2020, the District contained 1,927 fully developed single-family residential lots on which 1,922 single-family homes have been constructed (including 35 homes under construction). The following commercial above-ground improvements totaling approximately 766,820 square feet of building area have been constructed on tracts within the District that are described below: (i) approximately 90,000 square feet of office park buildings; (ii) approximately 51,344 square feet of self-storage units; (iii) approximately 104,617 square feet of office space; (iv) approximately 178,905 square feet of retail space; (v) approximately 23,202 square feet of restaurant space; (vi) approximately 39,856 square feet of fitness center space; (vii) approximately 121,739 square feet of hotel space; (viii) approximately 62,573 square feet of nursing/health care space; (ix) approximately 22,026 square feet of storage warehouse buildings; (x) approximately 7,800 square feet of banking space; (xi) approximately 34,416 square feet of day care space; and (xii) approximately 30,342 square feet of medical clinics. There is no single-family residential lot development or commercial development currently underway in the District.

According to the District's Engineer, underground water distribution, wastewater collection, wastewater lift station and force main, and storm drainage/detention facilities and street paving have been completed to serve 1,927 single-family residential lots and other property located in the following platted subdivisions located in the District: Sunrise Lakes, Sections 1 through 7, River Mist, Sections 1 and 2, Parks at Walnut Bend, Sections 1 and 2, Oakbrook Estates, Sections 5 through 9, Pearland Park Estates, Cambridge Lake, Sections 1 and 2, and Pearland Place (a total of approximately 607.35 acres).

Meritage Homes has developed 70 single-family residential lots located in the subdivision that have been platted as Pearland Place (approximately 39.68 acres), as is delineated in the chart that appears below. Meritage Homes (the “Builder”) is currently constructing homes in Pearland Place which range in size from approximately 1,666 to 2,991 square feet of living area and in sales price from approximately \$249,990 to \$319,990.

In addition to such single-family residential development, tracts totaling approximately 89.84 acres located within the District, consisting of an approximately 11.74-acre tract located in the District (the “W.C. Properties Commercial Reserve”); an approximately 4.89-acre tract located in the District (the “Amundsen Commercial Reserve”); two tracts totaling approximately 14.70 acres located in the District (together, the “Sunrise Lake Village Commercial Reserve”); an approximately 5.28-acre tract located within the District (the “Sunrise Lake Center”); an approximately 18.33-acre tract located within the District (the “Pearland Retail Fitness Center”); an approximately 1.38-acre tract located within the District (the “JSC Credit Union Commercial Reserve”); an approximately 11.64-acre tract located within the District (“Tuscany Village Skilled Nursing”); an approximately 2.19-acre tract located within the District (“La Quinta Inn-Suites Pearland”); an approximately 2.0-acre tract located within the District (“Comfort Inn and Suites”); an approximately 9.39-acre tract located within the District (the “Pearland Star 518 Commercial Reserve”); and an approximately 8.3-acre tract located within the District (the “F.M. 518 West Ltd. Commercial Reserve”) have been provided perimeter trunk utilities and street paving and are available for the construction of above-ground improvements. Commercial above-ground improvements have been constructed on such tracts as is enumerated above.

The balance of the land located in the District consists of approximately 74.7 currently undeveloped acres, including certain acres that are contained within various easements, rights-of-way, detention ponds, or are otherwise not available for future development. Oakbrook Estates, Ltd. (“OEL”), owns approximately 3.7 acres that are designated for future commercial usage. None of the owners of the remaining approximately 71.0 currently undeveloped acres located within the District, including Sunlake Limited, which owns approximately 44.59 of such acres, has reported any definitive development plan covering any of such acres to the District. Since no party, including OEL or Sunlake Limited, is under any obligation to the District to undertake the development of any currently undeveloped portion of the District according to any timetable or at all, the District can make no representation as to when, or whether, the undeveloped portions of the District might be developed. See “FUTURE DEVELOPMENT,” “TAX DATA - Principal 2019 Taxpayers,” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

The District financed the aforementioned underground water distribution, wastewater collection, and storm drainage facilities serving Sunrise Lakes, Sections 1 through 7, River Mist, Sections 1 and 2, Parks at Walnut Bend, Sections 1 and 2, Oakbrook Estates, Sections 5 through 8, Pearland Park Estates, Cambridge Lake, Sections 1 and 2, W.C. Properties Commercial Reserve, and Amundsen Commercial Reserve, plus Impact Fees to the City of Pearland associated with the City's provision of water supply and wastewater treatment to such properties, with portions of the proceeds of the sale of the Prior Bonds. The District financed such facilities to serve Oakbrook Estates, Section 9, and Impact Fees with surplus funds that the District had on hand in the District's General Fund and Construction Fund. The District expects to finance the underground water distribution, wastewater collection, and storm drainage facilities to serve Pearland Place and the currently undeveloped property located within the District that might be developed in the future, Impact Fees to the City of Pearland associated with the City's provision of water supply and wastewater treatment to such property, and other items, with the proceeds of the sale of bonds, if any, by the District in the future. See “THE SYSTEM.”

As of February 15, 2020, the status of lot development and home construction within the District was as follows:

<u>Subdivision</u>	<u>Lots</u>				<u>Homes</u>				<u>Totals</u>
	<u>Developed</u>	<u>Acres</u>	<u>Under</u>		<u>Under</u>		<u>Completed</u>		
			<u>Development</u>	<u>Acres</u>	<u>Sold (i)</u>	<u>Unsold</u>	<u>Sold (i)</u>	<u>Unsold</u>	
Sunrise Lakes									
Section 1	145	60.44			0	0	145	0	145
Section 2	111	31.08			0	0	111	0	111
Section 3	71	19.00			0	0	71	0	71
Section 4	142	34.94			0	0	142	0	142
Section 5	100	33.64			0	0	100	0	100
Section 6	46	10.74			0	0	46	0	46
Section 7	93	18.75			0	0	93	0	93
River Mist									
Section 1	122	38.51			0	0	122	0	122
Section 2	123	29.10			0	0	123	0	123
Parks at Walnut Bend									
Section 1	132(ii)	59.33			0	0	132	0	132
Section 2	123	26.42			0	0	123	0	123
Oakbrook Estates									
Section 5	101	29.25			0	0	101	0	101
Section 6	101	30.40			0	0	101	0	101
Section 7	65	16.22			0	0	65	0	65
Section 8	31	12.00			0	0	31	0	31
Section 9	46	12.80			0	0	46	0	46
Pearland Park Estates	136	48.51			0	0	136	0	136
Cambridge Lake									
Section 1	90	34.96			0	0	90	0	90
Section 2	79	21.58			0	0	79	0	79
Pearland Place	<u>70</u>	<u>39.68</u>	<u>—</u>	<u>—</u>	<u>17</u>	<u>18</u>	<u>21</u>	<u>9</u>	<u>65</u>
TOTALS	1,927	607.35	0	0	17	18	1,878	9	1,922

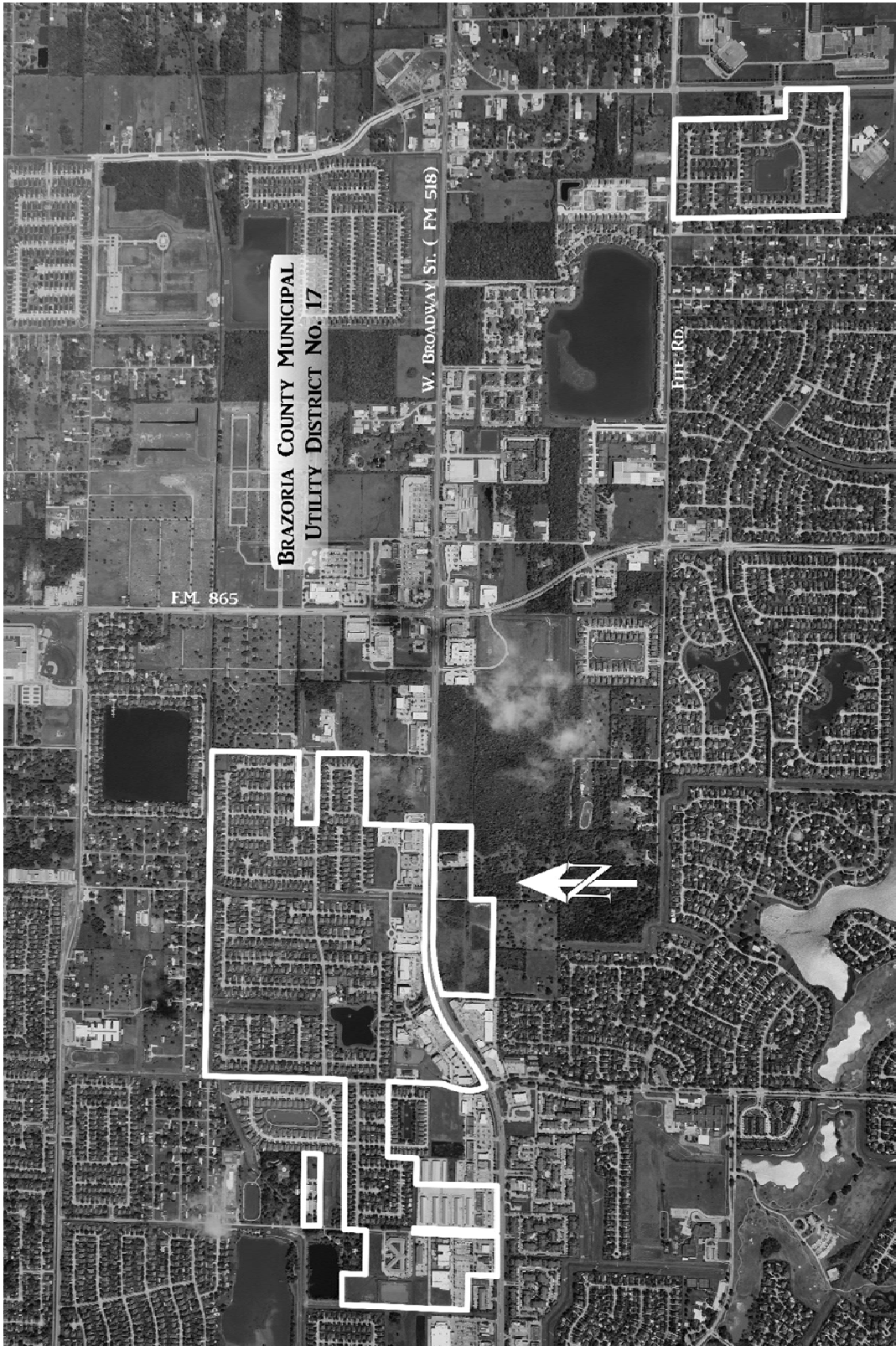
(i) Includes homes sold and contracted for sale. Homes under contract for sale, in some instances, are subject to conditions of appraisal, loan application, approval, and inspection.

(ii) Parks at Walnut Bend, Section 1, contains 133 platted lots, one of which is being utilized as a children's playground.

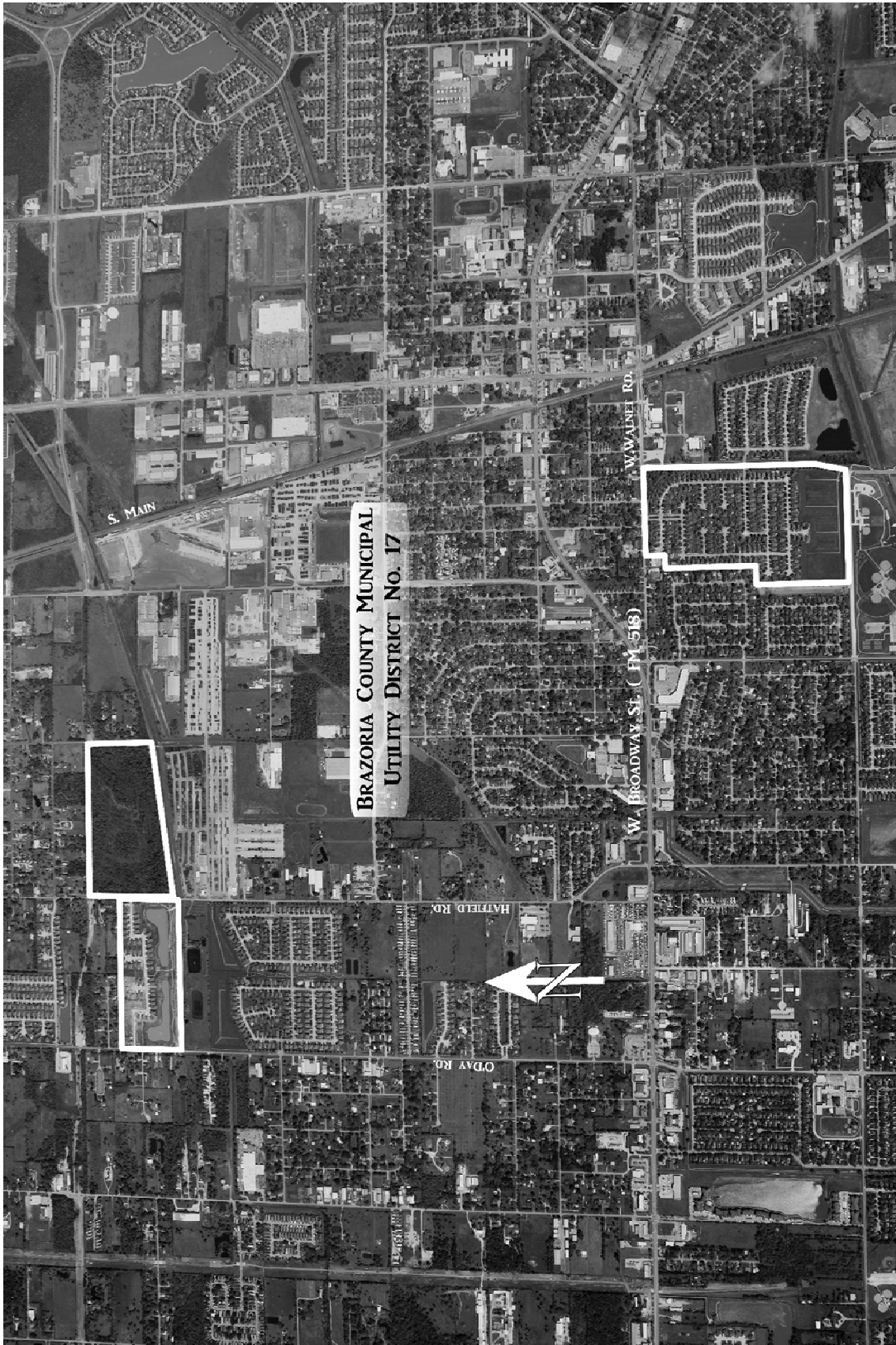
FUTURE DEVELOPMENT

As is described above under the caption “DEVELOPMENT, HOME CONSTRUCTION, AND PRINCIPAL LAND OWNERS,” approximately 607.35 acres of the total of approximately 770.59 acres of land located within the District have been developed into 1,927 single-family residential lots, the development of which is complete, and homes have been constructed on 1,922 of such lots (including 35 homes under construction). As is also described above under such caption, in addition to such single-family residential development, tracts totaling approximately 89.84 acres located within the District have been provided perimeter trunk utilities and street paving and are available for the construction of above-ground improvements. As is further described above under such caption, commercial above-ground improvements totaling approximately 766,820 square feet of building area have been constructed on such tracts that total approximately 89.84 acres. There is no commercial development currently underway in the District. The balance of the land located in the District consists of approximately 74.7 currently undeveloped acres, including certain acres which are contained within various easements, rights-of-way, detention ponds, or are otherwise not available for future development. OEL (defined above under the caption “DEVELOPMENT, HOME CONSTRUCTION, AND PRINCIPAL LAND OWNERS”) owns approximately 3.7 acres that are designated for future commercial usage. None of the owners of the remaining approximately 71.0 currently undeveloped acres located within the District, including Sunlake Limited, which owns approximately 44.59 of such acres, has reported any definitive development plan covering any of such acres to the District. Since no party, including OEL or Sunlake Limited, is under any obligation to the District to undertake the development of any currently undeveloped portion of the District according to any timetable or at all, the District can make no representation as to when, or whether, the undeveloped portions of the District might be developed. If any undeveloped portion of the District is eventually developed, additions to the water, wastewater, and drainage systems required to service such undeveloped acreage and the payment of Impact Fees to the City of Pearland related to the provision of water supply and wastewater treatment by the City to the District may be financed by future issues of the District's bonds. The District's Engineer currently estimates that the \$26,005,000 bonds authorized for the purpose of constructing a waterworks, sanitary sewer, and storm drainage system to serve the District that are currently unissued are adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District and to pay Impact Fees as described below under the caption “THE SYSTEM.” See “INVESTMENT CONSIDERATIONS - Future Debt.”

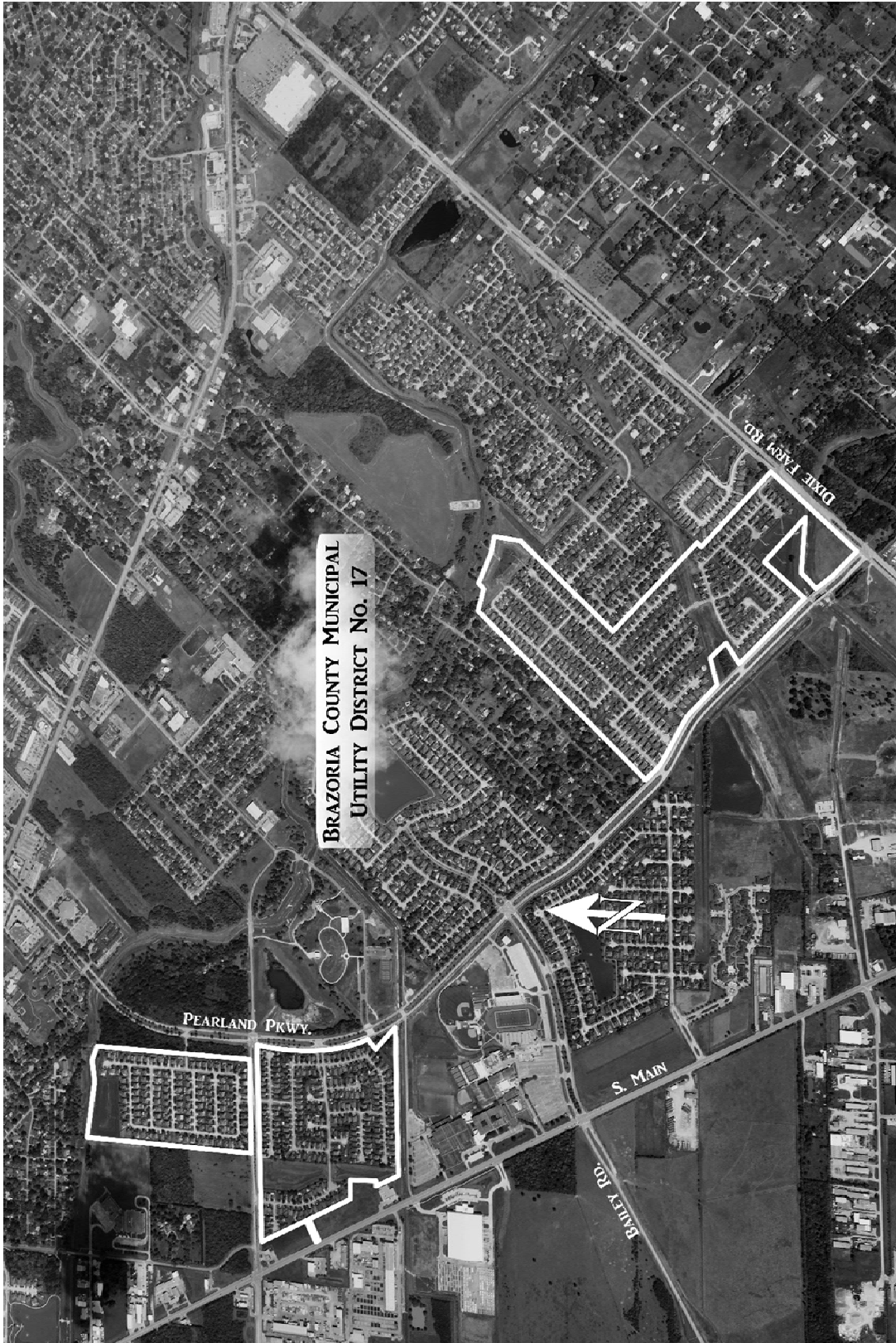
AERIAL PHOTOGRAPH OF PORTIONS OF THE DISTRICT
(taken April 2020)



AERIAL PHOTOGRAPH OF PORTIONS OF THE DISTRICT
(taken April 2020)



AERIAL PHOTOGRAPH OF PORTIONS OF THE DISTRICT
(taken April 2020)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken March 2020)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken March 2020)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken March 2020)



DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements for the Outstanding Bonds, less the debt service requirements on the Refunded Bonds, plus the principal and interest requirements of the Bonds.

<u>Year Ending December 31</u>	<u>Current Total Debt Service</u>	<u>Less: Debt Service on Refunded Bonds</u>	<u>Plus: – The Bonds –</u>		<u>Total New Debt Service Requirements</u>
			<u>Principal (Due 9/1)</u>	<u>Interest</u>	
2020	\$ 2,078,350	\$ 87,100			\$ 1,991,250
2021	2,086,350	174,200		\$ 146,467	2,058,617
2022	2,093,300	579,200	\$ 405,000	135,200	2,054,300
2023	2,088,750	582,050	425,000	119,000	2,050,700
2024	2,094,200	582,350	445,000	102,000	2,058,850
2025	2,092,875	587,125	465,000	84,200	2,054,950
2026	2,096,150	591,200	490,000	65,600	2,060,550
2027	2,101,975	594,575	500,000	55,800	2,063,200
2028	2,100,100	597,250	515,000	45,800	2,063,650
2029	2,190,725	659,225	585,000	35,500	2,152,000
2030	2,191,000	653,400	590,000	23,800	2,151,400
2031	<u>2,199,200</u>	<u>652,050</u>	<u>600,000</u>	<u>12,000</u>	<u>2,159,150</u>
	<u>\$25,412,975</u>	<u>\$6,339,725</u>	<u>\$5,020,000</u>	<u>\$825,367</u>	<u>\$24,918,617</u>
Average Annual Requirements (2021-2031)					\$2,084,306
Maximum Annual Requirement (2031)					\$2,159,150

Bonded Indebtedness

2019 Assessed Valuation		\$529,078,912(a)
(As of January 1, 2019)		
See "TAX DATA" and "TAXING PROCEDURES"		
2020 Preliminary Valuation		\$594,963,314(b)
(As of January 1, 2020)		
See "TAX DATA" and "TAXING PROCEDURES."		
Direct Debt: Remaining Outstanding Bonds	\$ 15,500,000	
The Bonds	<u>5,020,000</u>	
Total	\$ 20,520,000	
Estimated Overlapping Debt	\$ <u>42,570,307</u>	
Direct and Estimated Overlapping Debt	\$ <u>63,090,307(c)</u>	
Direct Debt Ratio		
: as a percentage of 2019 Assessed Valuation		3.88%
: as a percentage of 2020 Preliminary Valuation		3.45%
Direct and Estimated Overlapping Debt Ratio		
: as a percentage of 2019 Assessed Valuation		11.92%
: as a percentage of 2020 Preliminary Valuation		10.60%
Debt Service Fund Balance Estimated as of Delivery of the Bonds	\$ 3,014,947(d)	
General Fund Balance at June 2, 2020	\$ 2,787,365	
2019 Tax Rate Per \$100 of Assessed Valuation		
Debt Service Tax	\$0.26	
Maintenance Tax	<u>0.10</u>	
Total		\$0.36(e)

- (a) As of January 1, 2019. All property located in the District is valued on the tax rolls by the Brazoria County Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Brazoria County Appraisal Review Board (the "Appraisal Review Board").
- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2020, as reflected on the District's preliminary 2020 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2020 values resulting from the construction of taxable improvements from January 1, 2019, through December 31, 2019. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2019 taxable value of personal property located within the District. The taxable value of personal property on the District's 2019 tax roll was \$16,461,250. The District's ultimate 2020 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2020. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT." The District expects to finance the underground water distribution, wastewater collection, and storm drainage facilities to serve Pearland Place and the currently undeveloped property located within the District that might be developed in the future, Impact Fees to the City of Pearland associated with the City's provision of water supply and wastewater treatment to such property, and other items, with the proceeds of the sale of bonds, if any, by the District in the future.

- (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such fund balance gives effect to the timely payment by the District of its debt service requirements that were due on March 1, 2020, and the contribution by the District of \$51,000 to the refunding of the Refunded Bonds. The District's remaining debt service requirements for 2020, which are due on September 1, consist of \$1,671,075 of principal and interest on the Outstanding Bonds. The District's initial debt service payment on the Bonds is due on March 1, 2021, and consists of a seven-month interest payment thereon.
- (e) The District has levied a debt service tax of \$0.26 per \$100 of Assessed Valuation and a maintenance tax of \$0.10 per \$100 of Assessed Valuation for 2019. The District lies wholly within the municipal boundaries of the City of Pearland, Texas (the "City"), and all land within the District is subject to taxation by the City. See "TAX DATA - Estimated Overlapping Taxes." Pursuant to the Utility Agreement between the District and the City, the City is obligated to pay annually a sum to the District in the form of a "City Tax Rebate" as defined in the Utility Agreement and described in this Official Statement under the caption "THE DISTRICT - Utility Agreement." The calculations of tax rates required to pay the Average Annual and Maximum Annual Debt Service Requirements assume the receipt by the District of a City Tax Rebate of \$753,937, the estimated amount to be received in 2020 based upon the District's 2019 Assessed Valuation. The District currently intends to apply the City Tax Rebate to payment of the Bonds, the Remaining Outstanding Bonds, and any additional bonds, debts, or obligations, whether or not on a parity with the Bonds, that may be issued by the District in the future. However, the City Tax Rebate is not pledged to the payment of the Bonds and is subject to modification by agreement of the District and the City. Therefore, there is no assurance that the City Tax Rebate will not be reduced or eliminated in the future or used for retirement of any District obligation(s). For calculations of the tax rates required to pay the Average Annual and Maximum Annual Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds assuming the receipt of no City Tax Rebate, see "TAX DATA - Tax Rate Calculations." As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2019 tax levies of all overlapping taxing units that levy taxes upon property located in the District, plus the District's 2019 rate, is \$3.058045. Such aggregate levies are higher than the aggregate tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of municipal utility districts in the Houston metropolitan area and the area of the District that are in stages of development comparable to the District. See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have 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	<u>Debt as of June 1, 2020</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Brazoria County	\$ 60,855,000	1.699%	\$ 1,033,747
City of Pearland	306,385,000	4.528	13,873,572
Pearland Independent School District	433,230,000	6.385	<u>27,662,988</u>
Total Estimated Overlapping Debt			\$42,570,307
The District (The Bonds and the Remaining Outstanding Bonds)			<u>20,520,000</u>
Total Direct & Estimated Overlapping Debt			\$63,090,307

Debt Ratios

	<u>% of 2019 Assessed Valuation</u>	<u>% of 2020 Preliminary Valuation</u>
Direct Debt	3.88%	3.45%
Direct and Estimated Overlapping Debt	11.92%	10.60%

TAX DATA

Debt Service Tax

All taxable property located within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, sufficient to pay principal of and interest on the Bonds, the Remaining Outstanding Bonds and any future tax-supported bonds that may be issued from time to time as authorized. The Board covenants in the Bond Resolution to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District has levied a debt service tax of \$0.26 per \$100 of Assessed Valuation for 2019.

Maintenance Tax

The Board of Directors of the District 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 a vote of the District's electorate. The District voters have authorized the levy of such a maintenance tax in an amount not to exceed \$1.00 per \$100 of Assessed Valuation. Such tax is levied in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, the Remaining Outstanding Bonds, and any parity bonds that may be issued in the future. The District has levied a maintenance tax of \$0.10 per \$100 of Assessed Valuation for 2019.

Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed form the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Total Levy</u>	<u>Cumulative % Collections Current & Prior Years(b)</u>	<u>Year Ending 9/30</u>
2008	\$337,268,021	\$0.630	\$2,123,294	100.00	2009
2009	359,796,667	0.600	2,156,049	100.00	2010
2010	370,449,248	0.547	2,025,633	100.00	2011
2011	369,519,753	0.547	2,021,217	99.99	2012
2012	366,551,815	0.547	2,004,815	99.99	2013
2013	380,994,427	0.544	2,072,610	99.99	2014
2014	401,562,762	0.520	2,088,126	99.99	2015
2015	427,211,050	0.460	1,965,171	99.97	2016
2016	475,353,207	0.410	1,948,948	99.99	2017
2017	512,739,178	0.380	1,948,474	99.87	2018
2018	509,914,843	0.380	1,937,814	99.57	2019
2019	529,078,912	0.360	1,904,684	97.72(c)	2020

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through May 31, 2020. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) As of May 31, 2020. In process of collection.

Tax Rate Distribution

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Debt Service	\$0.26	\$0.28	\$0.28	\$0.31	\$0.36
Maintenance	<u>0.10</u>	<u>0.10</u>	<u>0.10</u>	<u>0.10</u>	<u>0.10</u>
Total	\$0.36	\$0.38	\$0.38	\$0.41	\$0.46

Analysis of Tax Base

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

<u>Type of Property</u>	2019		2018		2017	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$ 74,662,529	14.11%	\$ 74,631,665	14.64%	\$ 73,935,605	14.42%
Improvements	461,067,090	87.15	440,291,168	86.35	442,945,509	86.39
Personal Property	16,455,090	3.11	16,292,730	3.20	28,707,680	5.60
Exemptions	<u>(23,105,797)</u>	<u>(4.37)</u>	<u>(21,300,720)</u>	<u>(4.18)</u>	<u>(32,849,616)</u>	<u>(6.41)</u>
Total	\$529,078,912	100.00%	\$509,914,843	100.00%	\$512,739,178	100.00%

<u>Type of Property</u>	2016		2015	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$ 72,183,856	15.19%	\$ 71,540,766	16.75%
Improvements	418,299,265	88.00	355,849,169	83.30
Personal Property	20,771,990	4.37	17,037,230	3.99
Exemptions	<u>(35,901,904)</u>	<u>(7.55)</u>	<u>(17,216,115)</u>	<u>(4.03)</u>
Total	\$475,353,207	100.00%	\$427,211,050	100.00%

Principal 2019 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2019. The information reflects the composition of property ownership reflected on the District's 2019 tax roll. See "DEVELOPERS."

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2019 Tax Roll</u>	<u>% of 2019 Tax Roll</u>
WC Properties, Ltd.	Commercial, Tracts and Personal Property	\$6,957,800	1.32%
Picasso Health Services, Ltd.	Commercial and Acreage	6,483,800	1.23
Pearland Entrepreneurs LLC	Commercial and Acreage	6,350,000	1.20
G5 Pearland Properties	Commercial and Acreage	6,109,780	1.15
JGA Texas Legacy Partners, LLC	Commercial and Acreage	5,811,150	1.10
Store Master Funding III	Commercial	5,194,155	0.98
Rebound Retail*	Commercial and Acreage	5,036,890	0.95
Aura AKA LLC	Commercial and Acreage	4,689,290	0.89
Pearland Star 518 LP	Commercial and Acreage	3,586,880	0.68
Rebound Properties, LLC*	Acreage	<u>3,514,260</u>	<u>0.66</u>
		\$53,734,005	10.16%

* Related entities.

Exemptions

The District has adopted a residential homestead exemption for persons 65 years or older or disabled persons in the amount of \$50,000 of Assessed Valuation. The District has not adopted a general residential homestead exemption. See “TAXING PROCEDURES.”

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rate per \$100 of Assessed Valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2020 Preliminary Valuation. The calculations also assume collection of 95% of taxes levied, the receipt of a City Tax Rebate of \$753,937, the estimated amount to be received by the District from the City in 2020 based upon the 2019 Assessed Valuation, no use of other District funds on hand, and the issuance of no bonds by the District other than the Bonds and the Prior Bonds.

Average Annual Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds (2021-2031)		\$2,084,306
Tax Rate of \$0.24 on the 2020 Preliminary Valuation (\$594,963,314) produces	\$1,356,516	
City Tax Rebate	<u>753,937</u>	
Total		\$2,110,453
Maximum Annual Debt Service Requirement of the Bonds and the Remaining Outstanding Bonds (2031)		\$2,159,150
Tax Rate of \$0.25 on the 2020 Preliminary Valuation (\$594,963,314) produces	\$1,413,038	
City Tax Rebate	<u>753,937</u>	
Total		\$2,166,975

The District has levied a debt service tax of \$0.26 per \$100 of Assessed Valuation and a maintenance tax of \$0.10 per \$100 of Assessed Valuation for 2019. As the above table indicates, the 2019 debt service rate will be sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement of the Bonds and the Remaining Outstanding Bonds given taxable values in the District at the level of the 2020 Preliminary Valuation, and assuming collection of 95% of taxes levied, the receipt of a City Tax Rebate of \$753,937, the estimated amount to be received by the District from the City in 2020 based upon the 2019 Assessed Valuation, no use of other District funds on hand, and the issuance of no bonds by the District other than the Bonds and the Prior Bonds. In addition, the District has collected an average of 99.94% of its tax levies for the period 2009 through 2018 as of May 31, 2020, and its 2019 tax levy, which is in the process of collection, was 97.72% collected as of such date. Moreover, the District's Debt Service Fund balance is estimated to be \$3,014,947 as of the delivery date of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see “APPENDIX B - FINANCIAL REPORT”). Given these factors, the District currently anticipates that it will be able to meet the debt service requirements on the Bonds and the Remaining Outstanding Bonds without increasing the tax rate for debt service above the debt service rate that the District has levied for 2019 - \$0.26 per \$100 of Assessed Valuation. However, 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 aforementioned tax rate or to justify continued payment of taxes by property owners. See “TAX PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.” Assuming the receipt of no City Tax Rebate, tax rates of \$0.39 and \$0.37 per \$100 of Assessed Valuation would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds, respectively, assuming a tax collection rate of 95%, no use of other funds on hand, the issuance of no additional bonds by the District, and that no growth occurs in the District beyond the level of the 2020 Preliminary Valuation. See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2019 taxes levied upon property located within the District. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien that is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see “DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes.

<u>Taxing Jurisdiction</u>	<u>2019 Tax Rate/\$100</u>
Pearland ISD	\$1.395600
Brazoria County	0.415233
Brazoria Drainage District No. 4	0.146000
City of Pearland	0.741212
The District *	<u>0.360000</u>
TOTAL TAX RATE	\$3.058045

* The District levied a debt service tax of \$0.26 per \$100 of Assessed Valuation and a maintenance tax of \$0.10 per \$100 of Assessed Valuation for 2019.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Remaining Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS - Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond 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” and - “Tax Rate Distribution.”

Property Tax Code and County-wide Appraisal District

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Brazoria County Appraisal District (the “Appraisal District”) has the responsibility of appraising property for all taxing units within Brazoria County, including the District. Such appraisal values will be subject to review and change by the Brazoria County Appraisal Review Board (the “Appraisal Review Board”).

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; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. 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.

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way

owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for 2012 and subsequent years.

Tax Abatement

The City of Pearland and Brazoria County may designate all or part of the District as a reinvestment zone, and the District, Brazoria County, and the City of Pearland may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten 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 a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. An appraisal roll is prepared, taxpayer protests are heard by the Appraisal Review Board, and the appraisal roll is certified by the Chief Appraiser. Then it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

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

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

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code 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

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, which effectively restricts increases in the District's operation and maintenance tax rates by requiring rollback elections to reduce the operation and maintenance tax component of the District's total tax rate (collectively, the debt service tax rate, maintenance and operations tax rate and contract tax rate are the "total tax rate"). See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. SB 2 requires a reduction in the operation and maintenance tax component of the District's total tax rate if the District's total tax rate surpasses the thresholds for specific classes of districts in SB 2. 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 "Low Tax Rate Districts." 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 are classified herein as "Other 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.

Low Tax Rate Districts

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

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 a rollback 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 the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, 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 Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Other Districts

Districts that do not meet the classification of a Low Tax Rate District or a Developed District are classified as Other Districts. The qualified voters of these districts, upon the Other 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 a rollback election is called

and passes, the total tax rate for Other Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

The District

A determination as to a district's status as a Low Tax Rate District, Developed District or Other District will be made on an annual basis, at the time a district sets its tax rate, 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 rollback election calculation.

Additional Penalties

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units (see "TAX DATA - Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable 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 (a taxpayer may redeem property within two (2) years for residential and other types of property and within six (6) months for commercial property, after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings, which restrict the collection of taxpayer debts.

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a natural 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 tax payer 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.

THE SYSTEM

Regulation

According to the District's Engineer, the System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Pearland, Brazoria County, and Brazoria Drainage District No. 4.

The District is located totally within the corporate limits of the City of Pearland (the "City") and obtains water, sewer, and drainage service from the City. The City and Sunlake Limited, Hanover Estates, Ltd., and Amvest Properties, Inc., on behalf of the District, entered into a Utility Agreement, which was subsequently assumed by the District (see "THE DISTRICT - Utility Agreement"), to provide a water distribution system, sanitary sewer collection system, and a drainage system (the "System") to serve the District. In consideration of the District's acquiring and constructing the System on behalf of the City, the City agreed, pursuant to the terms and conditions of the Utility Agreement, to own and operate the System. The District retains ownership and responsibility for the maintenance of the storm water detention system except that Brazoria Drainage District No. 4 has accepted ownership and maintenance responsibilities for certain portions of the detention system and certain homeowners' associations have accepted certain maintenance responsibilities for a certain portion of the detention system.

As construction of each phase of the System is certified to be complete in accordance with the final plans and specifications approved by the City, the District is to transfer such portion of the System with construction drawings to the City reserving a security interest therein until the bonds issued to acquire and construct the System have been retired. Upon transfer, the City has agreed to operate and maintain the System at its expense. The District retains ownership and responsibility for the maintenance of the storm water detention system except that, as described above, Brazoria Drainage District No. 4 has accepted ownership and maintenance responsibilities for certain portions of the detention system and certain homeowners' associations have accepted certain maintenance responsibilities for a certain portion of the detention system. Under the Utility Agreement, the City has agreed to charge customers of the System the same rates charged other similar users within the City plus the \$5.00 per month equivalent single-family connection charge (the City Utility Rebate). Except for the City Utility Rebate, all revenue from the System, including any charges that the City may impose for connection to the System, belongs exclusively to the City.

The City, as owner and operator of the System, has agreed to supply the District with all of its requirements for potable water and wastewater treatment in consideration of the payment of Impact Fees. The City's current Impact Fee is \$6,477 per connection.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The total number of connections estimated at this time for the District upon the full development of its 770.59 acres is approximately 2,148, with a total estimated population of 6,300 people. The following descriptions are based upon information supplied by the District's Engineer.

Description

The System presently serves the 1,927 fully developed single-family residential lots platted as Sunrise Lakes, Sections 1 through 7, River Mist, Sections 1 and 2, Parks at Walnut Bend, Sections 1 and 2, Oakbrook Estates, Sections 5 through 9, Pearland Park Estates, Cambridge Lake, Sections 1 and 2, Pearland Place, and certain commercial reserves in the District. See "DEVELOPMENT, HOME CONSTRUCTION AND PRINCIPAL LAND OWNERS." The District financed the underground water distribution, wastewater collection, and storm drainage facilities serving Sunrise Lakes, Sections 1 through 7, River Mist, Sections 1 and 2, Parks at Walnut Bend, Sections 1 and 2, Oakbrook Estates, Sections 5 through 8, Pearland Park Estates, Cambridge Lake, Sections 1 and 2, W.C. Properties Commercial Reserve, and Amundsen Commercial Reserve, plus Impact Fees to the City of Pearland associated with the City's provision of water supply and wastewater treatment to such properties, with portions of the proceeds of the sale of the Prior Bonds. The District financed such facilities to serve Oakbrook Estates, Section 9, and Impact Fees with surplus funds that the District

had on hand in the District's General Fund and Construction Fund. The District expects to finance the underground water distribution, wastewater collection, and storm drainage facilities to serve Pearland Place and the currently undeveloped property located within the District that might be developed in the future, Impact Fees to the City of Pearland associated with the City's provision of water supply and wastewater treatment to such property, and other items, with the proceeds of the sale of bonds, if any, by the District in the future.

Based on present engineering cost estimates, in the opinion of the District's consulting engineer, Huitt-Zollars, Inc. (the "Engineer"), the \$26,005,000 authorized but unissued bonds will be adequate to finance the extension of water, wastewater, and storm drainage facilities and services and to pay Impact Fees to the City of Pearland related to the provision of water supply and wastewater treatment capacity by the City to the District to serve all of the remaining undeveloped portions of the District. See "THE BONDS - Issuance of Additional Debt," "DEVELOPMENT, HOME CONSTRUCTION, AND PRINCIPAL LAND OWNERS" and "FUTURE DEVELOPMENT."

Water Supply

The Utility Agreement requires the City to provide the District with all of its potable water needs. According to the District's Engineer, the City's facilities provide adequate water supply capacity to provide service to all connections in the District developed with the proceeds of the sale of the Prior Bonds, plus all connections in the District expected to be developed in the future to complete the development of the District, although the District must rely on the City's obligations to supply the District with water under the terms of the Utility Agreement.

Wastewater Treatment

Pursuant to the Utility Agreement, the City is required to receive and treat all wastewater from the District. According to the District's Engineer, the City's facilities contain sufficient capacity to provide service to all connections in the District developed with the proceeds of the sale of the Prior Bonds, plus all connections in the District expected to be developed in the future to complete the development of the District, although the District must rely on the City's obligations to treat the District's wastewater under the terms of the Utility Agreement.

Drainage Improvements

Storm drainage for the District is provided by an internal drainage network and detention ponds that outfall into Hickory Slough, Mary's Creek, and Cowarts Creek. Mary's Creek flows into Clear Creek, which forms the northern and eastern boundaries of the City of Pearland.

100-Year Flood Plain

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

The FEMA Flood Hazard Boundary Map currently in effect, which covers the land located in the District, indicates that portions of Sunrise Lakes, Section 4, River Mist, Section 2, Parks at Walnut Bend, Section 1, and Pearland Park Estates were once designated as being located in the 100-year flood plain. Such land was filled with excess soil from the excavation of the adjacent streets and the detention pond to raise it above the 100-year flood plain elevation, and such land was removed from the 100-year flood plain designation by Letters of Map Amendment dated October 10, 2000, August 15, 2001, September 21, 2001, and April 5, 2006. According to the FEMA FIRM No. 48039C0035-I, effective

date September 22, 1999, the developed lots in Pearland Place Subdivision are located within Zone AE. The developer has filled the lots with excess soil from excavation of the detention ponds. The developer has prepared elevation certificates which show that lots have been raised above the effective base flood elevation.

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas estimates for the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study, which is based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors: A substantial proportion of the assessed valuation of the property located within the District is attributable to the current market value of (i) single-family residences that have been constructed within the District, (ii) the single-family residential lots that have been developed by the developers of the District for sale to home building companies for the construction of primary residences, and (iii) commercial buildings that have been constructed within the District. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon and the construction of commercial buildings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability, and the prosperity and demographic characteristics of the urban center toward which the marketing of lots, homes, and commercial enterprises is directed. Further declines in the price of oil could adversely affect job stability, wages, and salaries, thereby negatively affecting the demand for housing and the values of existing homes (see “Potential Effects of Oil Price Declines on the Houston Area” below). Decreased levels of home construction activity would restrict the growth of property values in the District. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the assessed valuation of homes within the District. Although, as is described in this Official Statement under the caption “DEVELOPMENT, HOME CONSTRUCTION, AND PRINCIPAL LAND OWNERS,” (i) the development of 1,927 single-family residential lots is complete within the District on 1,922 of which single-family homes have been constructed (including 35 homes under construction), (ii) the Builder is currently constructing homes in Pearland Place located within the District as is described under such caption, and (iii) the development of land

located within the District has resulted in the completion of the construction of above-ground commercial improvements totaling approximately 766,820 square feet of building area on such land, the District cannot predict the pace or magnitude of any future development or home construction or construction of future commercial buildings in the District. Moreover, the District cannot represent as to the level of occupancy of the commercial improvements that have been or might be constructed within the District. There is no single-family residential lot development or commercial development currently underway in the District.

National Economy: There has been a downturn in new housing construction in the United States, resulting in a decline in national housing market values. Although, as is stated above under “Economic Factors,” and as described in this Official Statement under the caption “DEVELOPMENT, HOME CONSTRUCTION, AND PRINCIPAL LAND OWNERS,” (i) the development of 1,927 single-family residential lots is complete within the District on 1,922 of which single-family homes have been constructed (including 35 homes under construction), (ii) the Builder is currently constructing homes in Pearland Place located within the District as is described under such caption, and (iii) the development of land located within the District has resulted in the completion of the construction of above-ground commercial improvements totaling approximately 766,820 square feet of building area on such land, the District cannot predict the pace or magnitude of any future development or home construction or construction of future commercial buildings in the District. There is no single-family residential lot development or commercial development currently underway in the District. The District cannot predict what impact, if any, a downturn in the local housing markets or a continued downturn in the national housing and financial markets may have on the Houston market generally and the District specifically or the maintenance of assessed values in the District. Moreover, the District cannot represent as to the level of occupancy of the commercial improvements that have been or might be constructed within the District.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on development and home building activity and the construction of commercial buildings, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale and at which the construction of commercial buildings might be undertaken. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and homebuilders to initiate the construction of new homes for sale or the construction of future commercial buildings. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction or construction of future commercial buildings within the District. In addition, since the District is located approximately 15 miles south of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and home building plans or construction of future commercial buildings in the District and the level of occupancy of commercial improvements within the District and could restrain the growth of the District’s property tax base.

Developer/Builder/Landowner Obligation to the District: The respective ability of any principal taxpayer within the District (see “TAX DATA - Principal 2019 Taxpayers”) to make full and timely payments of taxes levied against their property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As is described above under the caption “DEVELOPMENT, HOME CONSTRUCTION, AND PRINCIPAL LAND OWNERS,” approximately 607.35 acres of the total of approximately 770.59 acres of land located within the District have been developed into 1,927 single-family residential lots, the development of which is complete, on 1,922 of which single-family homes have been constructed (including 35 homes under construction). In addition to such single-family residential development, as is also described under such caption, tracts totaling approximately 89.84 acres located in the District have been provided perimeter trunk utilities and street paving and are available for the construction of above-ground improvements on which commercial above-ground improvements totaling approximately 766,820 square feet

of building area have been constructed. The balance of the land located in the District consists of approximately 74.7 currently undeveloped acres, including certain acres that are contained within various easements, rights-of-way, detention ponds, or are otherwise not available for future development. OEL owns approximately 3.7 acres that are designated for future commercial usage. None of the owners of any of the remaining approximately 71.0 currently undeveloped acres, including Sunlake Limited, which owns approximately 44.59 of such acres, has reported any definitive development plan covering any of such acres to the District, and none of such owners has any obligation to the District to undertake the development of its land according to any timetable or at all. Moreover, there is no commitment by or legal requirement of OEL, Sunlake Limited, or any other party to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, of the Builder or any other home building company to proceed at any particular pace with the construction of homes in the District, or of any party to construct commercial buildings within the District, and there is no restriction on any landowner'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 home construction activity or whether additional commercial buildings will be constructed in the District. See "FUTURE DEVELOPMENT." If any undeveloped portion of the District is eventually developed, additions to the water, wastewater, and drainage systems required to service such undeveloped acreage and the payment of Impact Fees to the City of Pearland related to the provision of water supply and wastewater treatment by the City to the District may be financed by future issues of the District's bonds. The District's Engineer currently estimates that the \$26,005,000 authorized bonds that are currently unissued are adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District and to pay Impact Fees as described in this Official Statement under the caption "THE SYSTEM." See "INVESTMENT CONSIDERATIONS - Future Debt."

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District's 2019 Assessed Valuation is \$529,078,912. After issuance of the Bonds, the Maximum Annual Debt Service Requirement of the Bonds and the Remaining Outstanding Bonds will be \$2,159,150 (2031) and the Average Annual Debt Service Requirements will be \$2,084,306 (2021 through 2031, inclusive). Assuming no increase to nor decrease from the 2019 Assessed Valuation, no use of other District funds on hand, the issuance of no bonds by the District other than the Bonds and the Prior Bonds, and the receipt of a City Tax Rebate from the City of Pearland equal to \$753,937, the estimated amount to be received by the District from the City in 2020 based upon the 2019 Assessed Valuation, tax rates of \$0.28 and \$0.27 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. The District's 2020 Preliminary Valuation supplied by the Appraisal District is \$594,963,314. Assuming no increase to nor decrease from the 2020 Preliminary Valuation, no use of other District funds on hand, the issuance of no bonds by the District other than the Bonds and the Prior Bonds, and the receipt of a City Tax Rebate from the City of Pearland equal to \$753,937, the estimated amount to be received by the District from the City in 2020 based upon the 2019 Assessed Valuation, tax rates of \$0.25 and \$0.24 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.

The District has levied a debt service tax of \$0.26 per \$100 of Assessed Valuation and a maintenance tax of \$0.10 per \$100 of Assessed Valuation for 2019. As the above calculations indicate, the 2019 debt service rate will be sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement of the Bonds and the Remaining Outstanding Bonds given taxable values in the District at the level of the 2020 Preliminary Valuation, and assuming collection of 95% of taxes levied, the receipt of a City Tax Rebate of \$753,937, the estimated amount to be received by the District from the City in 2020 based upon the 2019 Assessed Valuation, no use of other District funds on hand, and the issuance of no bonds by the District other than the Bonds and the Prior Bonds. In addition, the District has collected an average of 99.94% of its tax levies for the period 2009 through 2018 as of May 31, 2020, and its 2019 tax levy, which is in the process of collection, was 97.72% collected as of such date. Moreover, the District's Debt Service Fund balance is estimated to be \$3,014,947 as of the delivery date of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of

the Prior Bonds (see “APPENDIX B - FINANCIAL REPORT”). Given these factors, the District currently anticipates that it will be able to meet the debt service requirements on the Bonds and the Remaining Outstanding Bonds without increasing the tax rate for debt service above the debt service rate that the District has levied for 2019 - \$0.26 per \$100 of Assessed Valuation. However, 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 aforementioned tax rate or to justify continued payment of taxes by property owners. See “TAX PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.” Increases in the District's tax rate to higher levels than the total \$0.36 per \$100 of Assessed Valuation rate that the District has levied for 2019 may have an adverse impact upon future development of the District, 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.

As is enumerated in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2019 tax levies of all overlapping taxing units that levy taxes upon property located in the District plus the District's 2019 rate is \$3.058045 per \$100 of Assessed Valuation. Such aggregate rates are higher than the aggregate tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of municipal utility districts in the Houston metropolitan area and the area of the District that are in stages of development comparable with the District.

Assuming the receipt of no City Tax Rebate, tax rates of \$0.39 and \$0.37 per \$100 of Assessed Valuation would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds, respectively, assuming a tax collection rate of 95%, no use of other funds on hand, the issuance of no additional bonds by the District, and no growth in the District beyond the level of the 2020 Preliminary Valuation. See “TAXING PROCEDURES.”

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming, and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property, (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below, or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities that have parity liens on the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of the property to be sold for delinquent taxes and, thereby, the potential sales proceeds available to pay debt service on the Bonds may be limited by, among other factors, the existence of other tax liens on the property, the current aggregate tax rate being levied against the property, or the taxpayers' right to redeem residential and other types of property within two (2) years of foreclosure and commercial property within six (6) months of foreclosure. 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. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. Even if 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. See “THE BONDS - Bankruptcy Limitation to Registered Owners' Rights.”

Future Debt

The District reserved in the Bond Resolution the right to issue the remaining \$26,005,000 in unlimited tax bonds authorized but unissued for waterworks, wastewater, and drainage facilities, the \$36,716,563.20 for refunding purposes, and such additional bonds as may hereafter be approved by the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. All of the remaining bonds described above for waterworks, wastewater, and drainage facilities that have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The District expects to finance the underground water distribution, wastewater collection, and storm drainage facilities to serve Pearland Place and the currently undeveloped property located within the District that might be developed in the future, Impact Fees to the City of Pearland associated with the City's provision of water supply and wastewater treatment to such property, and other items, with the proceeds of the sale of bonds, if any, by the District in the future. See “THE SYSTEM.” The issuance of such \$26,005,000 in bonds for waterworks, wastewater, and drainage facilities is also subject to TCEQ authorization. The District's Engineer currently estimates that the aforementioned \$26,005,000 authorized bonds that remain unissued will be adequate to finance the construction of all waterworks, wastewater, and drainage facilities and to pay Impact Fees to the City of Pearland related to the provision of water supply and wastewater treatment to the District by the City to provide service to all of the currently undeveloped portions of the District. See “Maximum Impact on District Tax Rates” above, “THE BONDS,” “DEVELOPMENT, HOME CONSTRUCTION AND PRINCIPAL LAND OWNERS,” “FUTURE DEVELOPMENT,” and “THE SYSTEM.” If additional bonds are issued in the future and property values have not increased proportionately, such issuance might 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.”

Competitive Nature of Houston Residential Housing and Commercial Building Markets

The housing and commercial building industries in the Houston metropolitan area, including the City of Pearland, are very competitive, and the District can give no assurance that any new single-family residential lot development or home building programs might be undertaken within the District or that additional commercial buildings will be constructed within the District. The competitive positions of any developers or home builder(s) that might attempt future home building or development projects in the District in the sale of developed lots or in the construction and sale of single-family residential units and of any party that might undertake the construction of any future commercial buildings within the District 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.

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 by the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance.

Marketability

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

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 District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. In order to maintain MS4 Permit compliance, the District is partnering with the city of Pearland (the “City”), to participate in the City's program to develop, implement, and maintain the required plan (the “MS4 Permit Plan”) as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City's MS4 Permit Plan in order to obtain MS4 Permit compliance with the TCEQ. If

at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary to comply with the MS4 Permit.

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

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

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

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

Due to ongoing rulemaking activity, as well as existing and possible future litigation, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

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.

Tropical Weather Events

The Houston area, including the District, is subject to occasional severe tropical weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. “500 year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. The District constructs for the benefit of and conveyance to the City, the water and wastewater utilities needed to serve land being developed within the boundaries of the District. Upon conveyance of the facilities to the City, the City assumes responsibility for the operation and maintenance of such facilities. The District has received no reports that the City's water supply and distribution system and wastewater treatment and collection system serving the property within the District's boundaries sustained any material damage from Hurricane Harvey. Further, according to the District's Engineer, no taxable improvements within the District appear to have experienced flooding or other material damage. Hurricane Harvey could have an adverse impact on the Houston region’s economy, including business activity and development in the region.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

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

Infectious Disease Outlook (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the “President”) declared the Pandemic a national emergency and the Texas Governor (the “Governor”) declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the “disaster declarations”). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on slowing the spread of COVID-19 by limiting instances where the public can congregate or interact with each other, which affects economic conditions within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic conditions and financial markets worldwide and within Texas and the Houston area. Stock values and oil prices, in the U.S. and globally, have seen significant declines attributed in part to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition.

Potential Effects of Oil Price Declines on the Houston Area

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

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Bond Counsel for the District, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for the information under the subheading "Book-Entry-Only System"), "PLAN OF FINANCING - The Refunded Bonds," and - "Payment of the Refunded Bonds," "THE DISTRICT - Utility Agreement," - "Management of the District - Bond Counsel and General Counsel," "TAXING PROCEDURES," "LEGAL MATTERS - Legal Opinions," "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 either 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, other than the matters discussed immediately above.

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. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Houston, Texas. McCall, Parkhurst & Horton L.L.P. has represented the District as disclosure counsel on certain previous new money financings.

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

No-Litigation Certificate

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

TAX MATTERS

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

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 Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. The District will further rely on the report of Robert Thomas LLC, Certified Public Accountants, regarding the mathematical accuracy of certain computations. If the District should fail to comply with the covenants in the Resolution or if the foregoing representations or report 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 of their opinions. 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.

Qualified Tax-Exempt Obligations

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

The District will designate the Bonds as “qualified tax-exempt obligations” and 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 2020 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 2020.

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

VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided on behalf of the District relating to (a) the mathematical computation of the adequacy of the amounts deposited with Paying Agent for the Refunded Bonds to pay, when due, the principal or redemption price of and interest on the Refunded Bonds; and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

Robert Thomas CPA, LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Robert Thomas CPA, LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel. Robert Thomas CPA, LLC was not engaged to perform audit or attest services under AICPA auditing or attestation standards or to provide any form of attest report or opinion under such standards in conjunction with this engagement.

OFFICIAL STATEMENT

General

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

The District's audited financial statements for the fiscal year ended February 29, 2020, were prepared by McGrath & Co., PLLC, Certified Public Accountants, and have been included herein as "APPENDIX B." McGrath & Co., PLLC, Certified Public Accountants, has consented to the publication of such financial statements in this Official Statement.

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" and "THE SYSTEM" has been provided by Huitt-Zollars, Inc., Houston, Texas, and has been included in reliance upon the authority of said firm as an expert 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, Inc., and the Appraisal District. Such information has been included herein in reliance upon Assessments of the Southwest, Inc.'s authority as experts in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

The District, acting by and through its Board of Directors 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, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading and unless the Underwriters elect to terminate their obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District

to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the end of the underwriting period as defined in SEC Rule 15c2-12, or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case fewer than 25 days after the “end of the underwriting period.”

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (“MSRB”) through the MSRB’s 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 includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT” and “TAX DATA” and in “APPENDIX B” (the Audit). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2020.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements if the District's audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within the required time and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is February 28. Accordingly, it must provide updated information by the last day of August 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 specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond 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 financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB through its EMMA system at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain 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 or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District if, but only if, the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the SEC Rule 15c2-12, taking into account any amendments or interpretations of such Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of such Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

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

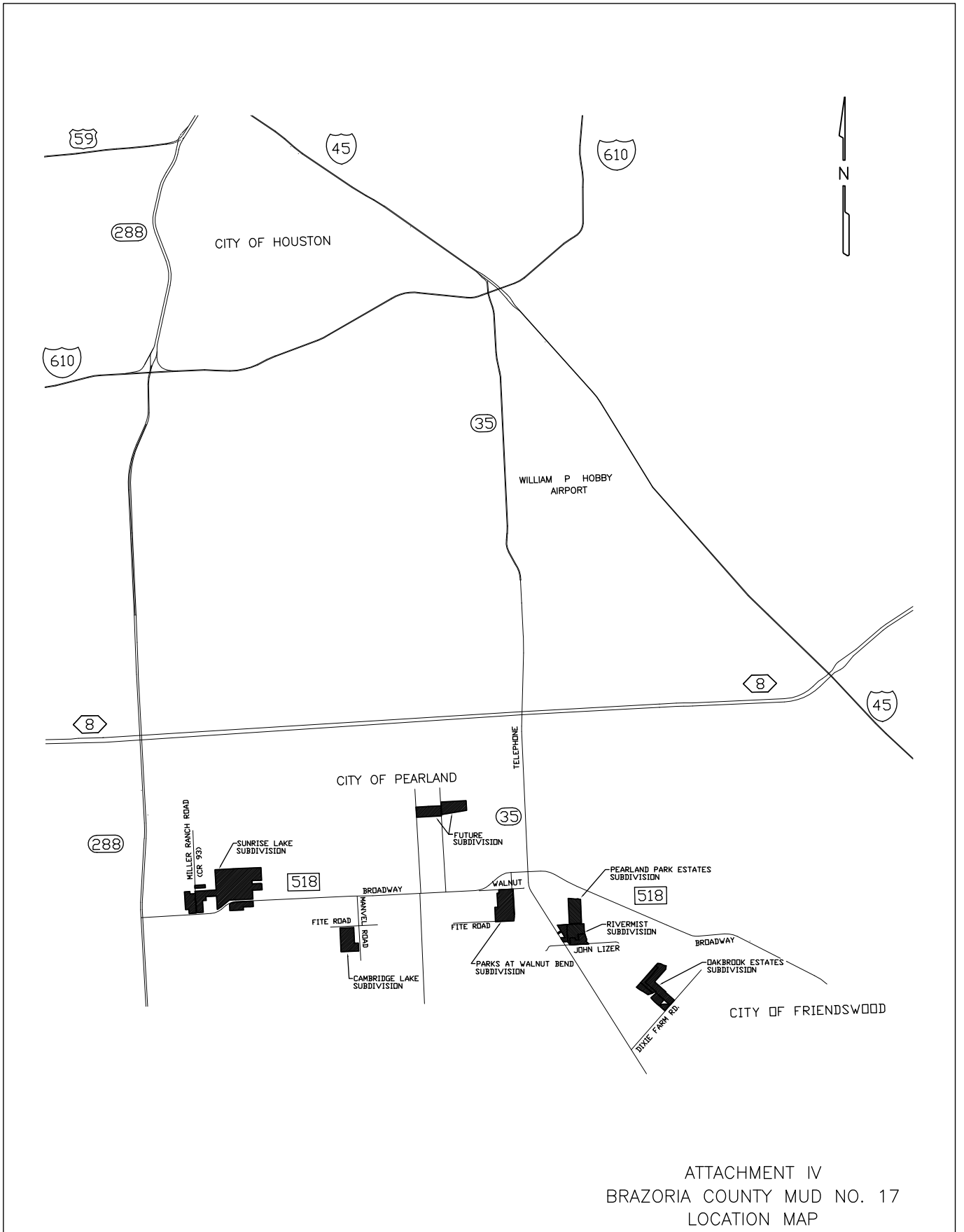
This Official Statement was approved by the Board of Directors of Brazoria County Municipal Utility District No. 17 as of the date shown on the first page hereof.

/s/ James W. Chick
President, Board of Directors
Brazoria County Municipal
Utility District No. 17

ATTEST:

/s/ Tiffany Demasi
Secretary, Board of Directors
Brazoria County Municipal
Utility District No. 17

APPENDIX A
LOCATION MAP



ATTACHMENT IV
BRAZORIA COUNTY MUD NO. 17
LOCATION MAP

APPENDIX B

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 17

BRAZORIA COUNTY, TEXAS

FINANCIAL REPORT

FEBRUARY 29, 2020

**BRAZORIA COUNTY MUNICIPAL
UTILITY DISTRICT NO. 17**

BRAZORIA COUNTY, TEXAS

FINANCIAL REPORT

February 29, 2020

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McGRATH & CO., PLLC

Certified Public Accountants
2500 Tanglewilde, Suite 340
Houston, Texas 77063

Independent Auditors' Report

Board of Directors
Brazoria County Municipal Utility District No. 17
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. 17, as of and for the year ended February 29, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as 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 basic 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 basic financial statements are free of 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 principles 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 to provide a basis for our audit opinions.

***Board of Directors
Brazoria County Municipal Utility District No. 17
Brazoria County, Texas***

Opinion

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 Brazoria County Municipal Utility District No. 17, as of February 29, 2020, and the respective changes in financial position thereof for the year then ended in conformity 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 information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. 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 Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

McGuire & Co, PC

Houston, Texas
June 2, 2020

Management's Discussion and Analysis

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***Brazoria County Municipal Utility District No. 17
Management's Discussion and Analysis
February 29, 2020***

Using this Annual Report

Within this section of the financial report of Brazoria County Municipal Utility District No. 17 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended February 29, 2020. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Brazoria County Municipal Utility District No. 17
Management's Discussion and Analysis
February 29, 2020***

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. 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, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at February 29, 2020, was negative \$8,593,176. The District's net position is negative because the District incurs debt to construct water, sewer and storm drainage facilities which it conveys to the City of Pearland, except for detention facilities. A comparative summary of the District's overall financial position, as of February 29, 2020 and February 28, 2019, is as follows:

	2020	2019
Current and other assets	\$ 6,377,504	\$ 5,904,571
Capital assets	7,898,052	7,284,494
Total assets	<u>14,275,556</u>	<u>13,189,065</u>
 Total deferred outflows of resources	 <u>254,075</u>	 <u>286,698</u>
 Current liabilities	 1,443,023	 1,382,836
Long-term liabilities	21,679,784	21,271,765
Total liabilities	<u>23,122,807</u>	<u>22,654,601</u>
 Net position		
Net investment in capital assets	(2,273,525)	(2,766,382)
Restricted	3,174,839	3,126,658
Unrestricted	<u>(9,494,490)</u>	<u>(9,539,114)</u>
Total net position	<u>\$ (8,593,176)</u>	<u>\$ (9,178,838)</u>

***Brazoria County Municipal Utility District No. 17
Management's Discussion and Analysis
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The total net position of the District increased during the current fiscal year by \$585,662. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2020	2019
Revenues		
Property taxes, penalties and interest	\$ 1,924,410	\$ 1,951,114
City of Pearland rebates	860,887	868,435
Other	97,563	64,452
Total revenues	<u>2,882,860</u>	<u>2,884,001</u>
Expenses		
Operation and administration	332,701	307,391
Interest and fees	696,208	758,337
Debt issuance costs	187,225	
Amortization	198,965	131,981
Total expenses	<u>1,415,099</u>	<u>1,197,709</u>
Change in net position before other items	1,467,761	1,686,292
Other items		
Transfers to other governments	<u>(882,099)</u>	
Change in net position	585,662	1,686,292
Net position, beginning of year	<u>(9,178,838)</u>	<u>(10,865,130)</u>
Net position, end of year	<u>\$ (8,593,176)</u>	<u>\$ (9,178,838)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of February 29, 2020, were \$5,947,075 which consists of \$2,877,247 in the General Fund and \$3,069,828 in the Debt Service Fund.

General Fund

A comparative summary of the General Fund's financial position as of February 29, 2020 and February 28, 2019 is as follows:

	2020	2019
Total assets	<u>\$ 2,934,653</u>	<u>\$ 2,478,853</u>
Total liabilities	\$ 21,598	\$ 14,020
Total deferred inflows	35,808	26,827
Total fund balance	<u>2,877,247</u>	<u>2,438,006</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,934,653</u>	<u>\$ 2,478,853</u>

***Brazoria County Municipal Utility District No. 17
Management's Discussion and Analysis
February 29, 2020***

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	<u>2020</u>	<u>2019</u>
Total revenues	\$ 720,205	\$ 672,205
Total expenditures	<u>(280,964)</u>	<u>(249,084)</u>
Revenues over expenditures	<u>\$ 439,241</u>	<u>\$ 423,121</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy and City of Pearland utility rebates. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues in the District have remained fairly consistent from year to year.
- City of Pearland utility rebates are based on the number of equivalent single-family connections located within the District.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of February 29, 2020 and February 28, 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 3,181,264</u>	<u>\$ 3,135,474</u>
Total liabilities	\$ 6,425	\$ 8,816
Total deferred inflows	105,011	83,969
Total fund balance	<u>3,069,828</u>	<u>3,042,689</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 3,181,264</u>	<u>\$ 3,135,474</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	<u>2020</u>	<u>2019</u>
Total revenues	\$ 2,132,632	\$ 2,170,656
Total expenditures	<u>(2,331,985)</u>	<u>(2,134,732)</u>
Revenues over/(under) expenditures	(199,353)	35,924
Other changes in fund balance	226,492	
Net change in fund balance	<u>\$ 27,139</u>	<u>\$ 35,924</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and City of Pearland tax rebates. The difference between these financial

***Brazoria County Municipal Utility District No. 17
Management's Discussion and Analysis
February 29, 2020***

resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

During the current year, the District issued \$4,600,000 in refunding bonds to refund \$4,540,000 of its outstanding Series 2012 bonds. This refunding will save the District \$418,417 in future debt service requirements.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$193,641 greater than budgeted. The *Budgetary Comparison Schedule* on page 30 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into a financing agreement with its developer for the financing of the construction of capital assets within the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at February 29, 2020 and February 28, 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Capital assets not being depreciated		
Land and improvements	\$ 4,359,832	\$ 3,871,159
Capital assets being amortized		
Impact fees	6,301,577	5,977,727
Less accumulated amortization	<u>(2,763,357)</u>	<u>(2,564,392)</u>
	<u>3,538,220</u>	<u>3,413,335</u>
Capital assets, net	<u>\$ 7,898,052</u>	<u>\$ 7,284,494</u>

Capital asset additions during the current year include impact fees paid to the City of Pearland and land acquisitions and improvements.

The District and the City of Pearland (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities (except detention facilities) to the City. For the year

***Brazoria County Municipal Utility District No. 17
Management's Discussion and Analysis
February 29, 2020***

ended February 29, 2020, capital assets in the amount of \$882,099 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of February 29, 2020, the District owes \$1,694,622 to its developer for a completed project. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At February 29, 2020 and February 28, 2019, the District had total bonded debt outstanding as shown below:

Series	2020	2019
2012 Refunding	\$ 490,000	\$ 5,265,000
2013 Refunding	5,515,000	5,750,000
2016 Refunding	2,250,000	2,415,000
2017 Refunding	7,680,000	8,405,000
2019 Refunding	4,600,000	
	<u>\$ 20,535,000</u>	<u>\$ 21,835,000</u>

During the current year, the District issued \$4,600,000 in unlimited tax refunding bonds. At February 29, 2020, the District had \$26,005,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and storm drainage systems within the District and \$36,942,452 for refunding purposes.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and the projected cost of operating the District. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2020 Actual	2021 Budget
Total revenues	\$ 720,205	\$ 565,000
Total expenditures	(280,964)	(337,350)
Revenues over expenditures	439,241	227,650
Beginning fund balance	2,438,006	2,877,247
Ending fund balance	<u>\$ 2,877,247</u>	<u>\$ 3,104,897</u>

Basic Financial Statements

Brazoria County Municipal Utility District No. 17
Statement of Net Position and Governmental Funds Balance Sheet
February 29, 2020

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 212,864	\$ 1,465,148	\$ 1,678,012	\$ -	\$ 1,678,012
Investments	2,593,585	1,648,063	4,241,648		4,241,648
Taxes receivable, net	35,808	105,011	140,819		140,819
Other receivable	23,830	4,947	28,777		28,777
Internal balances	41,905	(41,905)			
Due from City of Pearland	23,845		23,845		23,845
Prepaid items	2,816		2,816		2,816
Prepaid bond insurance, net				261,587	261,587
Capital assets not being depreciated				4,359,832	4,359,832
Capital assets, net				3,538,220	3,538,220
Total Assets	<u>\$ 2,934,653</u>	<u>\$ 3,181,264</u>	<u>\$ 6,115,917</u>	<u>8,159,639</u>	<u>14,275,556</u>
Deferred Outflows of Resources					
Deferred difference on refunding				254,075	254,075
Liabilities					
Accounts payable	\$ 21,598	\$ -	\$ 21,598		21,598
Other payables		6,425	6,425		6,425
Due to developer				1,694,622	1,694,622
Long-term debt					
Due within one year				1,415,000	1,415,000
Due after one year				19,985,162	19,985,162
Total Liabilities	<u>21,598</u>	<u>6,425</u>	<u>28,023</u>	<u>23,094,784</u>	<u>23,122,807</u>
Deferred Inflows of Resources					
Deferred property taxes	<u>35,808</u>	<u>105,011</u>	<u>140,819</u>	<u>(140,819)</u>	
Fund Balances/Net Position					
Fund Balances					
Nonspendable	2,816		2,816	(2,816)	
Restricted		3,069,828	3,069,828	(3,069,828)	
Unassigned	2,874,431		2,874,431	(2,874,431)	
Total Fund Balances	<u>2,877,247</u>	<u>3,069,828</u>	<u>5,947,075</u>	<u>(5,947,075)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,934,653</u>	<u>\$ 3,181,264</u>	<u>\$ 6,115,917</u>		
Net Position					
Net investment in capital assets				(2,273,525)	(2,273,525)
Restricted for debt service				3,174,839	3,174,839
Unrestricted				(9,494,490)	(9,494,490)
Total Net Position				<u>\$ (8,593,176)</u>	<u>\$ (8,593,176)</u>

See notes to basic financial statements.

Brazoria County Municipal Utility District No. 17

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

For Fiscal Year Ended February 29, 2020

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes	\$ 520,346	\$ 1,357,014	\$ 1,877,360	\$ 27,412	\$ 1,904,772
Penalties and interest		17,027	17,027	2,611	19,638
City of Pearland rebates	141,050	719,837	860,887		860,887
Investment earnings	58,809	38,754	97,563		97,563
Total Revenues	720,205	2,132,632	2,852,837	30,023	2,882,860
Expenditures/Expenses					
Operation and administration					
Professional fees	129,627		129,627		129,627
Contracted services	28,856	46,747	75,603		75,603
Repairs and maintenance	74,158		74,158		74,158
Utilities	4,641		4,641		4,641
Administrative	38,716	4,990	43,706		43,706
Other	4,966		4,966		4,966
Debt service					
Principal		1,360,000	1,360,000	(1,360,000)	
Interest and fees		733,023	733,023	(36,815)	696,208
Debt issuance costs		187,225	187,225		187,225
Amortization				198,965	198,965
Total Expenditures/Expenses	280,964	2,331,985	2,612,949	(1,197,850)	1,415,099
Revenues Over/ (Under) Expenditures/Expenses	439,241	(199,353)	239,888	1,227,873	1,467,761
Other Financing Sources/(Uses)					
Proceeds from sale of refunding bonds		4,600,000	4,600,000	(4,600,000)	
Bond premium		166,492	166,492	(166,492)	
Debt service - principal		(4,540,000)	(4,540,000)	4,540,000	
Other Items					
Transfers to other governments				(882,099)	(882,099)
Net Change in Fund Balances	439,241	27,139	466,380	(466,380)	
Change in Net Position				585,662	585,662
Fund Balance/Net Position					
Beginning of the year	2,438,006	3,042,689	5,480,695	(14,659,533)	(9,178,838)
End of the year	\$ 2,877,247	\$ 3,069,828	\$ 5,947,075	\$ (14,540,251)	\$ (8,593,176)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Brazoria County Municipal Utility District No. 17 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of Texas Natural Resources Conservation Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated May 21, 1999, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on June 8, 1999, and the first bonds were issued on August 28, 2001.

The District’s primary activities include the construction of water, sewer and drainage facilities. As further discussed in Note 10, the District transfers these facilities to the City of Pearland upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has two governmental funds, which are both considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and City of Pearland utility rebates. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes and City of Pearland tax rebates. Expenditures include costs incurred in assessing and collecting these taxes.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and City of Pearland rebates. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Prepaid Bond Insurance

Prepaid bond insurance reduces the District's borrowing costs and is, therefore, recorded as asset in the government-wide *Statement of Net Position* and amortized to interest expense over the life of the bonds.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At February 29, 2020, an allowance of \$6,972 were provided for possible uncollectible property taxes.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets, which primarily consist of impact fees, are amortized over the remaining useful life of the District's contract with the City using the straight-line method. The District's detention facilities are considered improvements to land and are non-depreciable.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Deferred outflows of financial resources at the government-wide level are from refunding bond transactions in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District’s nonspendable fund balance consists of prepaid items.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of property taxes levied for debt service and City of Pearland tax rebates in the Debt Service Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to the City of Pearland and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Brazoria County Municipal Utility District No. 17
Notes to Basic Financial Statements
February 29, 2020

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds	\$	5,947,075
Prepaid bond insurance is recorded as an expenditure in the funds, but is recorded as a prepaid asset and amortized in the government wide statements.		261,587
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental		
Historical cost	\$	10,661,409
Less accumulated amortization		<u>(2,763,357)</u>
Change due to capital assets		7,898,052
The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the <i>Statement of Net Position</i> and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.		254,075
Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .		(1,694,622)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of bonds payable, net.		(21,400,162)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		
Property taxes receivable	129,688	
Penalty and interest receivable	<u>11,131</u>	
Change due to property taxes		140,819
Total net position - governmental activities	<u>\$</u>	<u>(8,593,176)</u>

***Brazoria County Municipal Utility District No. 17
Notes to Basic Financial Statements
February 29, 2020***

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

Net change in fund balances - total governmental funds	\$	466,380
<p>Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes and related penalties and interest.</p>		
		30,023
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources; however, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government-wide statements.</p>		
Issuance of long-term debt	\$	(4,600,000)
Principal payments		5,900,000
Bond premium		(166,492)
Interest expense accrual		36,815
		1,170,323
<p>In the <i>Statement of Activities</i>, impact fees paid to the City of Pearland are capitalized and charged to amortization expense over the remaining life of the contract.</p>		
		(198,965)
<p>The District conveys certain infrastructure to the City of Pearland upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i>, these amounts are reported as transfers to other governments.</p>		
		(882,099)
Change in net position of governmental activities	\$	585,662

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or 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, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

Brazoria County Municipal Utility District No. 17
Notes to Basic Financial Statements
February 29, 2020

Note 3 – Deposits and Investments (continued)

Investments (continued)

As of February 29, 2020, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	\$ 1,929,467	63%	N/A	N/A
	Debt Service	735,745			
		<u>2,665,212</u>			
TexPool	General	664,118	37%	AAAm	30 days
	Debt Service	912,318			
		<u>1,576,436</u>			
Total		<u>\$ 4,241,648</u>	<u>100%</u>		

The District’s investments in certificates of deposit are reported at cost.

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Brazoria County Municipal Utility District No. 17
Notes to Basic Financial Statements
February 29, 2020

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at February 29, 2020, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 41,905	Maintenance tax collections not remitted as of year end

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended February 29, 2020, is as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Capital assets not being depreciated			
Land and improvements	\$ 3,871,159	\$ 488,673	\$ 4,359,832
Capital assets being amortized			
Impact fees	5,977,727	323,850	6,301,577
Less accumulated amortization	<u>(2,564,392)</u>	<u>(198,965)</u>	<u>(2,763,357)</u>
	<u>3,413,335</u>	<u>124,885</u>	<u>3,538,220</u>
Capital assets, net	<u>\$ 7,284,494</u>	<u>\$ 613,558</u>	<u>\$ 7,898,052</u>

Amortization expense for the current year was \$198,965.

Note 6 – Due to Developer

The District has entered into a financing agreement with its developer for the financing of the construction of water, sewer and drainage facilities. Under the agreement, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

Changes in amounts due to developer during the year are as follows:

Due to developer, beginning of year	\$ -
Developer funded construction	<u>1,694,622</u>
Due to developer, end of year	<u>\$ 1,694,622</u>

Brazoria County Municipal Utility District No. 17
Notes to Basic Financial Statements
February 29, 2020

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 20,535,000
Unamortized discounts	(50,630)
Unamortized premium	915,792
	<u>\$ 21,400,162</u>
Due within one year	<u>\$ 1,415,000</u>

The District’s bonds payable at February 29, 2020, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2012 Refunding	\$ 490,000	\$ 6,205,000	2.00% - 4.00%	September 1, 2014/2031	September 1, March 1	September 1, 2019
2013 Refunding	5,515,000	6,750,000	2.00% - 3.50%	September 1, 2013/2031	September 1, March 1	September 1, 2020
2016 Refunding	2,250,000	2,715,000	2.00% - 3.50%	September 1, 2017/2031	September 1, March 1	September 1, 2023
2017 Refunding	7,680,000	8,405,000	2.00% - 4.00%	September 1, 2019/2028	September 1, March 1	September 1, 2024
2019 Refunding	4,600,000	4,600,000	3.00%	September 1, 2020/2031	September 1, March 1	September 1, 2024
	<u>\$ 20,535,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At February 29, 2020, the District had authorized but unissued bonds in the amount of \$26,005,000 for water, sewer and storm drainage facilities and \$36,942,452 for refunding purposes.

On November 12, 2019, the District issued its \$4,600,000 Series 2019 Unlimited Tax Refunding Bonds at a net effective interest rate of 3.06245889% to refund \$4,540,000 of its outstanding Series 2012 refunding bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately \$418,417 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$351,034. As of February 29, 2020, the bonds have all been redeemed and are no longer outstanding.

Brazoria County Municipal Utility District No. 17
Notes to Basic Financial Statements
February 29, 2020

Note 7 – Long-Term Debt (continued)

The change in the District’s long-term debt during the year is as follows:

Bonds payable, beginning of year	\$ 21,835,000
Bonds issued	4,600,000
Bonds retired	(1,360,000)
Bonds refunded	(4,540,000)
Bonds payable, end of year	<u>\$ 20,535,000</u>

The debt service payment due March 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of February 29, 2020, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2021	\$ 1,415,000	\$ 668,850	\$ 2,083,850
2022	1,435,000	629,825	2,064,825
2023	1,485,000	586,025	2,071,025
2024	1,525,000	538,975	2,063,975
2025	1,580,000	488,538	2,068,538
2026	1,630,000	432,013	2,062,013
2027	1,695,000	369,063	2,064,063
2028	1,765,000	303,538	2,068,538
2029	1,830,000	235,413	2,065,413
2030	1,990,000	168,363	2,158,363
2031	2,055,000	102,600	2,157,600
2032	2,130,000	34,600	2,164,600
	<u>\$ 20,535,000</u>	<u>\$ 4,557,803</u>	<u>\$ 25,092,803</u>

Note 8 – Property Taxes

On August 14, 1999, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.00 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Brazoria County Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Brazoria County Municipal Utility District No. 17
Notes to Basic Financial Statements
February 29, 2020

Note 8 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2020 fiscal year was financed through the 2019 tax levy, pursuant to which the District levied property taxes of \$0.36 per \$100 of assessed value, of which \$0.10 was allocated to maintenance and operations and \$0.26 was allocated to debt service. The resulting tax levy was \$1,905,889 on the adjusted taxable value of \$529,413,532.

Net property taxes receivable, at February 29, 2020, consisted of the following:

Current year taxes receivable	\$ 119,537
Prior years taxes receivable	17,123
Less allowance for uncollectible accounts	<u>(6,972)</u>
	129,688
Penalty and interest receivable	<u>11,131</u>
Net property taxes receivable	<u>\$ 140,819</u>

Note 9 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Pearland (the “City”), the District transfers all of its water, sewer and storm drainage facilities, except detention facilities, to the City (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended February 29, 2020, the District reported transfers to other governments in the amount of \$882,099 for projects completed and transferred to the City.

Note 10 – Utility Agreement with the City of Pearland

In December 1999, the District assumed the terms of a utility agreement that the City of Pearland (the “City”) and various Brazoria County developers entered into in 1998, on behalf of the District. The agreement stipulates the City's regulatory authority over the development of the District, establishes certain restrictions and commitments related to the development of the District, and sets forth detailed design and construction standards and stipulations regarding the conveyance of ownership of the District facilities to the City. Upon acceptance, the City will operate the facilities, provide service to users within the District, maintain all customer information and records and provide monthly billings to customers serviced by the facilities. The agreement stipulates that the District shall not be authorized to sell bonds until it has provided the City with a certified copy of the Texas Commission on Environmental Quality (the "TCEQ") order approving such bond issue.

Brazoria County Municipal Utility District No. 17
Notes to Basic Financial Statements
February 29, 2020

Note 10 – Utility Agreement with the City of Pearland (continued)

Other stipulations include an annual payment by the City to the District for a portion of the City's tax revenues collected by the City on the land and improvements within the District, at the rate of \$0.15 per \$100 of assessed valuation, that shall be deposited by the District into a debt service fund. In addition to the annual payment, the City shall make a payment each month equal to \$5.00 per equivalent single-family connection located within the District to be deposited in the District's General Fund. During the period ended February 29, 2020, the District recorded revenue from the City of \$141,050 in the General Fund and \$719,837 in the Debt Service Fund.

The District agrees to pay the City a connection charge per equivalent single-family connection for water supply and distribution and wastewater treatment. As of February 29, 2020, the District has reimbursed its developers \$6,301,577 for connection charges purchased from the City.

Note 11 – 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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 12 – Subsequent Event

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. Federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. On March 31, 2020, the Governor issued an executive order closing all non-essential businesses in the State. This order expired on April 30, 2020. Additionally, all the counties in the greater Houston area adopted various "Work Safe – Stay Home." Such actions are focused on limiting instances where the public can congregate or interact with each other. These precautions resulted in the temporary closure of all non-essential businesses in the State.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting the economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property taxes and ad valorem tax revenues within the District.

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

Required Supplementary Information

*Brazoria County Municipal Utility District No. 17
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For Fiscal Year Ended February 29, 2020*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 400,000	\$ 520,346	\$ 120,346
City of Pearland rebates	135,000	141,050	6,050
Investment earnings	20,000	58,809	38,809
Total Revenues	<u>555,000</u>	<u>720,205</u>	<u>165,205</u>
Expenditures			
Operation and administration			
Professional fees	113,000	129,627	(16,627)
Contracted services	30,000	28,856	1,144
Repairs and maintenance	123,000	74,158	48,842
Utilities	6,000	4,641	1,359
Administrative	37,400	38,716	(1,316)
Other		4,966	(4,966)
Total Expenditures	<u>309,400</u>	<u>280,964</u>	<u>28,436</u>
Revenues Over Expenditures	245,600	439,241	193,641
Fund Balance			
Beginning of the year	2,438,006	2,438,006	
End of the year	<u>\$ 2,683,606</u>	<u>\$ 2,877,247</u>	<u>\$ 193,641</u>

Brazoria County Municipal Utility District No. 17
Notes to Required Supplementary Information
February 29, 2020

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Brazoria County Municipal Utility District No. 17

TSI-1. Services and Rates

February 29, 2020

1. Services provided by the District During the Fiscal Year:

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

Other (Specify): Water and sewer services are provided by the City of Pearland. Certain detention facilities are maintained by Brazoria Drainage District No. 4 and some by HOAs.

2. Retail Service Providers N/A

(You may omit this information if your district does not provide retail services)

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 Usage</u>	<u>Usage Levels</u>
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

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'S</u>
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

Brazoria County Municipal Utility District No. 17

TSI-1. Services and Rates

February 29, 2020

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

(You may omit this information if your district does not provide water)

Gallons pumped into system:	<u> N/A </u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u> N/A </u>	<u> N/A </u>

4. Standby Fees (authorized only under TWC Section 49.231):

(You may omit this information if your district does not levy standby fees)

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes No

If yes, Date of the most recent commission Order: _____

5. Location of District (required for first audit year or when information changes, otherwise this information may be omitted):

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Brazoria County

Is the District located within a city? Entirely Partly Not at all

City(ies) in which the District is located: City of Pearland

Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely Partly Not at all

ETJs in which the District is located: _____

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 17
TSI-2 General Fund Expenditures
For Fiscal Year Ended February 29, 2020

Professional fees		
Legal	\$	53,839
Engineering		65,538
Audit		10,250
		<u>129,627</u>
Contracted services		
Bookkeeping		17,456
Operator		11,400
		<u>28,856</u>
Repairs and maintenance		<u>74,158</u>
Utilities		<u>4,641</u>
Administrative		
Directors fees		11,226
Printing and office supplies		1,374
Insurance		8,550
Other		17,566
		<u>38,716</u>
Other		<u>4,966</u>
Total expenditures	\$	<u><u>280,964</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	12,527 kWh	\$ 2,010
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 17

TSI-3. Investments

February 29, 2020

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
TexPool	Variable	N/A	\$ 664,118	\$ -
Certificate of deposit	2.75%	01/30/21	240,000	542
Certificate of deposit	1.80%	08/10/20	242,777	227
Certificate of deposit	1.75%	02/01/21	240,000	322
Certificate of deposit	1.80%	08/01/20	246,690	341
Certificate of deposit	2.75%	03/31/20	240,000	6,058
Certificate of deposit	2.70%	03/31/20	240,000	5,947
Certificate of deposit	2.65%	05/06/20	240,000	5,210
Certificate of deposit	2.60%	05/03/20	240,000	5,163
			<u>2,593,585</u>	<u>23,810</u>
Debt Service				
TexPool	Variable	N/A	912,318	
Certificate of deposit	1.80%	03/02/20	249,070	712
Certificate of deposit	2.50%	07/30/20	245,780	3,603
Certificate of deposit	1.85%	08/05/20	240,895	293
			<u>1,648,063</u>	<u>4,608</u>
Total - All Funds			<u>\$ 4,241,648</u>	<u>\$ 28,418</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 17
TSI-4. Taxes Levied and Receivable
February 29, 2020

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 26,827	\$ 75,451	\$ 102,278	
Adjustments	(130)	(375)	(505)	
Adjusted Receivable	26,697	75,076	101,773	
2019 Original Tax Levy	531,380	1,381,587	1,912,967	
Adjustments	(1,966)	(5,112)	(7,078)	
Adjusted Tax Levy	529,414	1,376,475	1,905,889	
Total to be accounted for	556,111	1,451,551	2,007,662	
Tax collections:				
Current year	496,209	1,290,143	1,786,352	
Prior years	24,094	67,528	91,622	
Total Collections	520,303	1,357,671	1,877,974	
Taxes Receivable, End of Year	\$ 35,808	\$ 93,880	\$ 129,688	
Taxes Receivable, By Years				
2019	\$ 33,205	\$ 86,332	\$ 119,537	
2018	1,770	4,955	6,725	
2017	564	1,578	2,142	
2016 and prior	269	1,015	1,284	
Taxes Receivable, End of Year	\$ 35,808	\$ 93,880	\$ 129,688	
	2019	2018	2017	2016
Property Valuations				
Land	\$ 74,662,529	\$ 74,631,665	\$ 73,935,605	\$ 72,183,856
Improvements	461,067,090	440,291,168	442,945,509	418,299,265
Personal Property	16,461,250	16,292,730	28,707,680	20,771,990
Exemptions	(22,777,337)	(21,300,720)	(32,849,616)	(35,901,904)
Total Property Valuations	\$ 529,413,532	\$ 509,914,843	\$ 512,739,178	\$ 475,353,207
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10
Debt service tax rates	0.26	0.28	0.28	0.31
Total Tax Rates per \$100 Valuation	\$ 0.36	\$ 0.38	\$ 0.38	\$ 0.41
Adjusted Tax Levy	\$ 1,905,889	\$ 1,937,676	\$ 1,948,409	\$ 1,948,948
Percentage of Taxes Collected to Taxes Levied **	93.73%	99.65%	99.89%	99.99%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.00 on August 14, 1999

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

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 17
TSI-5. Long-Term Debt Service Requirements
Series 2012 Refunding-by Years
February 29, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 240,000	\$ 11,100	\$ 251,100
2022	250,000	3,750	253,750
	<u>\$ 490,000</u>	<u>\$ 14,850</u>	<u>\$ 504,850</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 17
TSI-5. Long-Term Debt Service Requirements
Series 2013 Refunding-by Years
February 29, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 235,000	\$ 185,075	\$ 420,075
2022	245,000	177,875	422,875
2023	405,000	168,125	573,125
2024	420,000	154,700	574,700
2025	435,000	139,738	574,738
2026	455,000	124,163	579,163
2027	475,000	107,888	582,888
2028	495,000	90,913	585,913
2029	515,000	73,238	588,238
2030	595,000	53,813	648,813
2031	610,000	32,725	642,725
2032	630,000	11,025	641,025
	<u>\$ 5,515,000</u>	<u>\$ 1,319,278</u>	<u>\$ 6,834,278</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 17
TSI-5. Long-Term Debt Service Requirements
Series 2016 Refunding-by Years
February 29, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 165,000	\$ 82,475	\$ 247,475
2022	170,000	77,450	247,450
2023	170,000	72,350	242,350
2024	170,000	66,400	236,400
2025	175,000	59,500	234,500
2026	185,000	52,300	237,300
2027	190,000	44,800	234,800
2028	195,000	37,100	232,100
2029	200,000	29,200	229,200
2030	205,000	21,100	226,100
2031	210,000	12,800	222,800
2032	215,000	4,300	219,300
	<u>\$ 2,250,000</u>	<u>\$ 559,775</u>	<u>\$ 2,809,775</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 17
TSI-5. Long-Term Debt Service Requirements
Series 2017 Refunding-by Years
February 29, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 745,000	\$ 252,650	\$ 997,650
2022	765,000	233,725	998,725
2023	795,000	210,325	1,005,325
2024	815,000	186,175	1,001,175
2025	845,000	161,275	1,006,275
2026	870,000	131,200	1,001,200
2027	905,000	95,700	1,000,700
2028	950,000	58,600	1,008,600
2029	990,000	19,800	1,009,800
	<u>\$ 7,680,000</u>	<u>\$ 1,349,450</u>	<u>\$ 9,029,450</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 17
TSI-5. Long-Term Debt Service Requirements
Series 2019 Refunding-by Years
February 29, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 30,000	\$ 137,550	\$ 167,550
2022	5,000	137,025	142,025
2023	115,000	135,225	250,225
2024	120,000	131,700	251,700
2025	125,000	128,025	253,025
2026	120,000	124,350	244,350
2027	125,000	120,675	245,675
2028	125,000	116,925	241,925
2029	125,000	113,175	238,175
2030	1,190,000	93,450	1,283,450
2031	1,235,000	57,075	1,292,075
2032	1,285,000	19,275	1,304,275
	<u>\$ 4,600,000</u>	<u>\$ 1,314,450</u>	<u>\$ 5,914,450</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 17
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series-by Years
February 29, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 1,415,000	\$ 668,850	\$ 2,083,850
2022	1,435,000	629,825	2,064,825
2023	1,485,000	586,025	2,071,025
2024	1,525,000	538,975	2,063,975
2025	1,580,000	488,538	2,068,538
2026	1,630,000	432,013	2,062,013
2027	1,695,000	369,063	2,064,063
2028	1,765,000	303,538	2,068,538
2029	1,830,000	235,413	2,065,413
2030	1,990,000	168,363	2,158,363
2031	2,055,000	102,600	2,157,600
2032	2,130,000	34,600	2,164,600
	<u>\$ 20,535,000</u>	<u>\$ 4,557,803</u>	<u>\$ 25,092,803</u>

See accompanying auditors' report.

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Brazoria County Municipal Utility District No. 17
TSI-6. Change in Long-Term Bonded Debt
February 29, 2020

	Bond Issue			
	Series 2012 Refunding	Series 2013 Refunding	Series 2016 Refunding	Series 2017 Refunding
Interest rate	2.00% - 4.00%	2.00% - 3.50%	2.00% - 3.50%	2.00% - 4.00%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/14 - 9/1/31	9/1/13 - 9/1/31	9/1/17 - 9/1/31	9/1/19 - 9/1/28
Beginning bonds outstanding	\$ 5,265,000	\$ 5,750,000	\$ 2,415,000	\$ 8,405,000
Bonds issued				
Bonds refunded	(4,540,000)			
Bonds retired	(235,000)	(235,000)	(165,000)	(725,000)
Ending bonds outstanding	<u>\$ 490,000</u>	<u>\$ 5,515,000</u>	<u>\$ 2,250,000</u>	<u>\$ 7,680,000</u>
Interest paid during fiscal year	<u>\$ 143,840</u>	<u>\$ 190,950</u>	<u>\$ 86,600</u>	<u>\$ 267,350</u>
Paying agent's name and city	<u>The Bank of New York Mellon Trust Company, N. A., Dallas, Texas</u>			
	Water, Sewer and Drainage Bonds	Refunding Bonds		
Bond Authority:				
Amount Authorized by Voters	\$ 60,000,000	\$ 39,000,000		
Amount Issued	(33,995,000)	(2,057,548)		
Remaining To Be Issued	<u>\$ 26,005,000</u>	<u>\$ 36,942,452</u>		

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of February 29, 2020:	<u>\$ 3,113,211</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 2,091,067</u>

See accompanying auditors' report.

<u>Bond Issue</u>	
<u>Series 2019</u>	<u>Totals</u>
<u>Refunding</u>	
3.00%	
9/1; 3/1	
9/1/20 - 9/1/31	
\$ -	\$ 21,835,000
4,600,000	4,600,000
	(4,540,000)
	(1,360,000)
<u>\$ 4,600,000</u>	<u>\$ 20,535,000</u>
<u>\$ 46,000</u>	<u>\$ 734,740</u>

Brazoria County Municipal Utility District No. 17

**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Periods**

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Property taxes	\$ 520,346	\$ 499,560	\$ 521,292	\$ 465,904	\$ 425,858
City of Pearland rebates	141,050	138,020	151,993	124,343	115,803
Miscellaneous			2,380	5,714	5,712
Investment earnings	58,809	34,625	13,479	8,108	6,030
Total Revenues	<u>720,205</u>	<u>672,205</u>	<u>689,144</u>	<u>604,069</u>	<u>553,403</u>
Expenditures					
Operation and administration					
Professional fees	129,627	96,622	107,613	128,854	124,761
Contracted services	28,856	29,169	26,006	27,150	27,150
Repairs and maintenance	74,158	82,893	71,110	118,696	90,174
Utilities	4,641	4,122	5,827	4,623	5,731
Administrative	38,716	36,084	33,192	33,934	31,812
Other	4,966	194			
Capital outlay				331,509	
Interest				38,450	
Total Expenditures	<u>280,964</u>	<u>249,084</u>	<u>243,748</u>	<u>683,216</u>	<u>279,628</u>
Revenues Over/(Under) Expenditures	<u>\$ 439,241</u>	<u>\$ 423,121</u>	<u>\$ 445,396</u>	<u>\$ (79,147)</u>	<u>\$ 273,775</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
72%	74%	76%	77%	77%
20%	21%	22%	21%	21%
		*	1%	1%
8%	5%	2%	1%	1%
100%	100%	100%	100%	100%
18%	14%	16%	21%	23%
4%	4%	4%	4%	5%
10%	12%	10%	20%	16%
1%	1%	1%	1%	1%
5%	5%	5%	6%	6%
1%	*			
			55%	
			6%	
39%	36%	36%	113%	51%
61%	64%	64%	(13%)	49%

Brazoria County Municipal Utility District No. 17

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Five Fiscal Periods

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Property taxes	\$ 1,357,014	\$ 1,398,087	\$ 1,465,053	\$ 1,453,399	\$ 1,541,624
Penalties and interest	17,027	12,327	25,067	20,776	9,529
City of Pearland rebates	719,837	730,415	688,394	580,704	578,966
Accrued interest on bonds sold			14,493	2,094	
Miscellaneous		194			132
Investment earnings	38,754	29,633	14,168	8,734	8,878
Total Revenues	<u>2,132,632</u>	<u>2,170,656</u>	<u>2,207,175</u>	<u>2,065,707</u>	<u>2,139,129</u>
Expenditures					
Tax collection services	51,737	48,307	52,512	55,299	44,966
Other		10,000	5,000	2,500	5,000
Debt service					
Principal	1,360,000	1,295,000	1,225,000	1,185,000	1,135,000
Interest and fees	733,023	781,425	901,053	988,594	1,039,623
Early extinguishment of debt			142,000	43,000	
Debt issuance costs	187,225		326,858	119,339	
Total Expenditures	<u>2,331,985</u>	<u>2,134,732</u>	<u>2,652,423</u>	<u>2,393,732</u>	<u>2,224,589</u>
Revenues Over/(Under) Expenditures	<u>\$ (199,353)</u>	<u>\$ 35,924</u>	<u>\$ (445,248)</u>	<u>\$ (328,025)</u>	<u>\$ (85,460)</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
63%	64%	66%	71%	73%
1%	1%	1%	1%	*
34%	34%	31%	28%	27%
		1%	*	
	*			*
2%	1%	1%	*	*
100%	100%	100%	100%	100%
2%	2%	2%	3%	2%
	*	*	*	*
64%	60%	56%	57%	53%
34%	36%	41%	48%	49%
		6%	2%	
9%		15%	6%	
109%	98%	120%	116%	104%
(9%)	2%	(20%)	(16%)	(4%)

***Brazoria County Municipal Utility District No. 17
TSI-8. Board Members, Key Personnel and Consultants
February 29, 2020***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
 District Business Telephone Number: (713) 860-6400
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): June 19, 2018
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
James Chick	5/18 to 5/22	\$ 1,176	\$ 3,019	President
Roy Adame, Jr.	5/16 to 5/20	3,150	2,555	Vice President
Michael A. Mastrangelo	5/16 to 5/20	2,850	2,517	Assistant Vice President
Tiffany Demasi	5/18 to 5/22	2,250	1,727	Secretary
Ryan Miller	5/18 to 5/22	1,800	246	Assistant Secretary
Consultants				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP				Attorney
<i>General legal fees</i>	2003	\$ 53,243		
<i>Bond counsel</i>		46,245		
Municipal District Services LLC	2012	14,558		Operator
Myrtle Cruz, Inc.	2005	17,998		Bookkeeper
Assessments of the Southwest, Inc.	1999	31,414		Tax Collector
Brazoria County Appraisal District	Legislation	11,912		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	2000	4,946		Delinquent Tax Attorney
Huitt-Zollars, Inc.	1999	61,094		Engineer
McGrath & Co., PLLC	2014	10,250		Auditor
Rathmann & Associates, LP	2003	59,000		Financial Advisor

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

See accompanying auditors' report.

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

