

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE “TAX MATTERS” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 346842

**RATINGS: Underlying “Baa2” Moody’s
Insured “AA” (stable outlook) S&P / “A2” Moody’s**
See “MUNICIPAL BOND RATING” and “BOND INSURANCE” herein.

\$9,000,000

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 2

(A political subdivision of the State of Texas, located in Fort Bend and Waller Counties, Texas)

UNLIMITED TAX BONDS

SERIES 2021

Dated: July 1, 2021

Due: April 1 (as shown below)

Interest on the Unlimited Tax Bonds, Series 2021 (the “Bonds” or the “Series 2021 Bonds”) will accrue from July 1, 2021, and will be payable on October 1 and April 1 of each year, commencing October 1, 2021. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), 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 owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK ENTRY-ONLY SYSTEM” herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “THE BONDS – Paying Agent/Registrar.”

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. (“AGM”).



MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>
\$175,000	2024	4.500%	0.70%	\$300,000	2033(b)	2.000%	1.80%
\$200,000	2025	4.500%	0.85%	\$300,000	2034(b)	2.000%	1.90%
\$200,000	2026	4.500%	1.00%	\$325,000	2035(b)	2.000%	2.00%
***	***	***	***	\$325,000	2036(b)	2.000%	2.10%
\$250,000	2030(b)	2.000%	1.50%	\$325,000	2037(b)	2.000%	2.15%
\$275,000	2031(b)	2.000%	1.60%	\$350,000	2038(b)	2.125%	2.20%
\$275,000	2032(b)	2.000%	1.70%	\$350,000	2039(b)	2.125%	2.25%

\$700,000 4.250% Term Bond Due April 1, 2029 to Yield 1.00% (a) (b) (c)

\$2,100,000 2.250% Term Bond Due April 1, 2044 to Yield 2.40% (a) (b) (c)

\$2,550,000 2.375% Term Bond Due April 1, 2049 to Yield 2.45% (a) (b) (c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after April 1, 2027, are subject to redemption in whole or from time to time in part, at the option of the District, on April 1, 2026, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Optional Redemption.”
- (c) Subject to mandatory sinking fund redemption as described herein. See “THE BONDS – Mandatory Redemption.”

The proceeds of the Bonds will be used by Fort Bend-Waller Counties Municipal Utility District No. 2 (the “District”) to: (1) reimburse the Developer (defined herein) for certain water, wastewater, drainage, and detention improvements in the District; (2) reimburse the developer for certain land acquisition costs for detention basins in the District; (3) fund developer interest; and (4) pay bond issuance and administrative expenses. See “USE OF BOND PROCEEDS.” The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, Waller County, the City of Katy, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Fort Bend County, Waller County, or the City of Katy is pledged to the payment of the principal of, or interest on, the Bonds. **The Bonds are subject to certain investment considerations described under the caption “RISK FACTORS.”**

The Bonds are offered when, as, and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. The District will be advised on certain legal matters concerning disclosure by Norton Rose Fulbright US LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about July 22, 2021.

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

Any information and expressions of opinion herein contained are subject to change 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.

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering, and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 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 as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Underwriter (hereinafter defined).

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.019247% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.506462%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter 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 Underwriter.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial number of the Bonds of each maturity have 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 Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET

PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT 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 Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

In the resolution adopted by the Board of Directors of the District authorizing the issuance of the Bonds (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 specified material events, to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated with respect to the District includes the quantitative financial information and operating data of the general type included in "DISTRICT DEBT," "DISTRICT TAX DATA," and "APPENDIX A" (Independent Auditor's Report and Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2021. The District will provide the updated information to the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District shall provide unaudited financial statements for the applicable fiscal year to each EMMA within such six-month period, and audited financial statements when the audit report on such statements 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 May 31. Accordingly, it must provide updated information by November 30 in each year unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person; (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 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 provisions 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."

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

MUNICIPAL BOND RATING

In connection with the sale of the Bonds, the District made application to Moody's Investor Services, Inc. ("Moody's") which assigned the underlying rating of "Baa2" on the Bonds based upon the District's underlying credit without bond insurance. The underlying rating of the District to be released by Moody's will be maintained by Moody's. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's, and the District makes no representation as to the appropriateness of such rating. The District can make no assurance that the Moody's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by Moody's if, in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Moody's has assigned its municipal bond rating of "A2" to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by AGM. The District can make no assurance that the Moody's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by Moody's if in the judgment of Moody's circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE" and "APPENDIX C – Specimen Municipal Bond Insurance Policy."

S&P Global Ratings ("S&P") assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by AGM. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE" and "APPENDIX C – Specimen Municipal Bond Insurance Policy."

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On October 29, 2020, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Capitalization of AGM

At March 31, 2021:

- The policyholders' surplus of AGM was approximately \$2,805 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$959 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,121 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Merger of MAC into AGM

On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC") (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC's direct insured par exposures have become insured obligations of AGM.

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

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

Miscellaneous Matters

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- Description:** The \$9,000,000 Unlimited Tax Bonds, Series 2021 (the "Bonds" or the "Series 2021 Bonds"), are dated July 1, 2021. The Bonds represent the eighth series of bonds to be issued by Fort Bend-Waller Counties Municipal Utility District No. 2 (the "District"). The Bonds mature on April 1 in the years as shown in the table on the cover page of this Official Statement. The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a resolution (the "Bond Resolution") adopted by the Board of Directors of the District, an approving order of the Texas Commission on Environmental Quality, an election held within the District, and a resolution adopted by the City of Katy, Texas approving the sale of the Bonds. See "THE BONDS."
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Fort Bend County, Waller County, the City of Katy, or any other political subdivision or agency. See "THE BONDS."
- Redemption Provisions:** The Bonds maturing on or after April 1, 2027, are subject to early redemption in whole or in part from time to time at the option of the District, on April 1, 2026, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on April 1 in the years 2029, 2044, and 2049 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on April 1 in the years 2027, 2040, and 2045, respectively. See "THE BONDS – Mandatory Redemption."
- Book-Entry-Only System:** The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, 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 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 "BOOK-ENTRY-ONLY SYSTEM."
- Use of Proceeds:** Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developer (defined herein) for certain water, wastewater, drainage, and detention improvements in the District; (2) reimburse the developer for certain land acquisition costs for detention basins within the District; (3) fund developer interest; and (4) pay bond issuance and administrative expenses. See "USE OF BOND PROCEEDS."
- Legal Opinion:** Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
- Paying Agent/Registrar:** The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."
- Payment Record:** The District has previously issued three (3) series of unlimited tax bonds and four (4) series of unlimited tax road bonds, of which \$23,060,000 principal amount was outstanding as of May 1, 2021 (the "Outstanding Bonds"). The District has never defaulted in the payment of principal of or interest on the Outstanding Bonds. See "DISTRICT DEBT."
- Risk Factors:** The Bonds are subject to certain investment considerations as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
- Qualified Tax Exempt Obligations:** The Bonds have been 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."
- Municipal Bond Rating:** In connection with the sale of the Bonds, the District made application to Moody's which assigned a rating of "Baa2" on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of such rating. See "MUNICIPAL BOND RATING."

Bond Insurance: Moody's has assigned its municipal bond rating of "A2" to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by AGM.

S&P has assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by AGM. See "MUNICIPAL BOND RATING," "BOND INSURANCE" and "APPENDIX C – Specimen Municipal Bond Insurance Policy."

THE DISTRICT

Description: The District is a municipal utility district created on June 19, 2009, with the passage of Senate Bill 860 in the 81st Texas Legislative Session (codified as Chapter 8329, Texas Special District Local Laws Code). The District was created pursuant to the authority of Article XVI, Section 59, of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The District is located entirely within the corporate limits of the City of Katy, Texas (the "City"). The District is located in southeast Waller County, Texas and northern Fort Bend County, Texas. The District is located approximately two (2) miles west of the central business district of the City and approximately 30 miles west of the central business district of the City of Houston, Texas. The District is bounded on the west by Commerce Parkway, on the south by Interstate Highway 10, on the north by U.S. Highway 90, and on the east by Snake Creek tributary. Business owners and travelers gain access to the District by traveling west from the City's central business district on U.S. Highway 90 and south on Cane Island Parkway or west on Interstate Highway 10 and north on Cane Island Parkway. See "THE DISTRICT – Authority" and "– Description and Location."

Development of the District: The District, as it was originally created, included approximately 472 acres. Since its creation, the District has not excluded any tracts of land and has not annexed any tracts of land. The District has indicated its intent to annex an approximately 110-acre tract of land and a separate approximately 15.5-acre tract of land into the District (see "THE DISTRICT'S DEVELOPER – Future Development"). The District cannot guarantee that the annexations will be completed or that the City will approve the annexations. As of May 1, 2021, the District consists of approximately 263 acres that have been developed with utilities and improved with commercial or light industrial buildings, approximately 28 acres that have been developed with utilities and yet to be improved, approximately 12 acres that are under development, no remaining developable acres, and approximately 169 undevelopable acres that include street rights-of-way, detention ponds, drainage easements, and open spaces.

The District has been developed for commercial and light industrial purposes in the master planned business park known as the West Ten Business Park. As of May 1, 2021, commercial and light industrial building development in the District includes approximately 12 warehouse and distribution buildings; one medical supply company building; two office, research and development, or showroom buildings; one 120-pump Buc-ee's travel center; one electrical engineering and manufacturing facility; one multi-tenant industrial facility; one multi-tenant retail facility; one wholesale plant nursery; one retail pharmacy building; and one full-service restaurant. Such commercial and light industrial buildings total approximately 2,957,400 sq. ft. and are located on approximately 322 acres. Additionally, site work is expected to commence imminently on a 196,000 sq. ft. distribution facility, which is expected to be completed during the first quarter of 2022. See "THE DISTRICT – Description and Location," "– Land Uses and Status of Land Development," "– Status of Commercial and Industrial Building Development," and "APPENDIX B – Aerial Photograph."

The Developer: The Developer in the District is Parkside-Stratford/I-10, Ltd. (the "Developer"), a Texas limited partnership that was established for the purpose of developing the approximately 472-acre West Ten Business Park. The limited partners of the Developer are PRF/I-10 Partners, Ltd., a Texas limited partnership, comprised of a number of individual investors and investment entities and Stratford Land Fund II, LP, a Delaware limited partnership based in Dallas, Texas that provides land investment management services to private and institutional investors. See "THE DISTRICT'S DEVELOPER."

Major Property Owners in the District: Major property owners in the District include commercial and industrial building owners and tenants of such buildings. Major property owners include, but are not limited to, Southern Glazer's Wine and Spirits of Texas, LLC ("SGWS") and Houston Property Partners II, LLC (an entity owned and controlled by SGWS); Medline Industries, Inc.; Pepperl & Fuchs Enterprises, Inc.; Igloo Products Corp.; Sara Katy 10 LLC and Sara Katy 11 LLC, entities owned and controlled by Bel Furniture; Amazon, Inc.; and Buc-ee's Ltd. See "THE DISTRICT – Status of Commercial and Industrial Building Development" and "DISTRICT TAX DATA – Principal Taxpayers." Effective December 11, 2018, the District entered into a tax abatement agreement with Houston Property Partners II, LLC, and SGWS, which continues for a term of 10 years subject to certain terms and conditions. See "TAXING PROCEDURES – Tax Abatement."

The System:

The District's water supply and wastewater treatment capacity is provided by the City pursuant to the terms of the Utilities Functions and Services Allocation Agreement, as amended ("Utility Service Agreement"). The Utility Service Agreement was executed by the Developer and the City on September 22, 2008, with a term of 40 years. The Utility Service Agreement was subsequently assigned to the District by the Developer (except for the financing obligations of Developer) on August 27, 2009, and was amended on July 23, 2012, and January 27, 2014. The Utility Service Agreement is in the process of an additional amendment, which is expected to be completed in June of 2021. The District does not operate any water supply or wastewater treatment facilities. The Utility Service Agreement requires the City to provide the District with up to 1,405 equivalent single-family connections ("ESFCs") of water supply capacity and 1,462 ESFCs of wastewater treatment capacity, both of which are adequate to serve the District at ultimate buildout based on current land plans. See "UTILITY SERVICE AGREEMENT WITH THE CITY OF KATY" and "DESCRIPTION OF THE SYSTEM."

The natural course of drainage in the District flows from northwest to southeast. Storm water is conveyed by overland flow and eventually reaches Snake Creek. Storm sewer collector systems drain runoff from the developed areas and the remaining undeveloped area in the District. The District's system of detention and drainage facilities detains and conveys storm water into Snake Creek. According to the District's Engineer, the Flood Hazard Boundary Map [published by the Federal Emergency Management Agency (FEMA)], currently in effect, and which covers land located in the District, indicates that approximately 66 acres of the land located in the District is located within the 100-year floodplain. All of the acreage located within the 100-year floodplain represents drainage easements, detention ponds, or other designated drainage facilities. None of the developed and improved land and none of the land that is planned for future building development is located in the 100-year floodplain. See "DESCRIPTION OF THE SYSTEM."

**Infectious Disease
Outlook (COVID-19):**

The World Health Organization 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. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas. On March 2, 2021, the Governor of Texas issued Executive Order GA-34 whereby the Governor ordered there be no operating limits for any business or other establishment, except in Trauma Service Areas that have had seven consecutive days in which the number of COVID-19 hospitalized patients as a percentage of total hospital capacity exceeds 15 percent, in which case the county judge may order COVID-19 mitigating measures not to include requiring the use of face coverings. Pursuant to Executive Order GA-34, such COVID-19 mitigating measures would remain in effect until such time as the Trauma Service Area has seven consecutive days in which the number of COVID-19 hospitalized patients as a percentage of total hospital capacity is 15 percent or less.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally. 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 construction 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. However, they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition. See "RISK FACTORS – Infectious Disease Outlook (COVID-19)."

SELECTED FINANCIAL INFORMATION
(Unaudited)

2021 Preliminary Taxable Value	\$368,923,459 (a)
2020 Certified Taxable Value	\$329,916,093 (b)
Direct Debt	
Outstanding Bonds	\$23,060,000
The Bonds	<u>\$9,000,000</u>
Total Direct Debt	\$32,060,000
Estimated Overlapping Debt	<u>\$17,632,742 (c)</u>
Direct and Estimated Overlapping Debt	\$49,692,742
Percentage of Direct Debt to:	
2021 Preliminary Taxable Value	8.69%
2020 Certified Taxable Value	9.72%
See "DISTRICT DEBT"	
Percentage of Direct and Estimated Overlapping Debt to:	
2021 Preliminary Taxable Value	13.47%
2020 Certified Taxable Value	15.06%
See "DISTRICT DEBT"	
2020 Tax Rate Per \$100 of Assessed Value	
Debt Service Tax	\$0.20
Road Debt Service Tax	\$0.23
Maintenance Tax	<u>\$0.37</u>
Total 2020 Tax Rate	\$0.80
Cash and Temporary Investment Balances as of May 27, 2021	
General Fund	\$2,690,780 (d)
Debt Service Fund	\$708,251 (e)
Road Debt Service Fund	\$831,720 (e)

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- (a) The January 1, 2021 Preliminary Taxable Value was prepared by the Appraisal Districts and provided to the District for informational purposes only. The preliminary value as provided by WCAD includes real property only and assigns no value to personal property value; such taxable personal property value for the portion of the District located in Waller County was approximately \$149,127,041 for the 2020 tax year. The preliminary values are not binding on FBCAD or WCAD; such values are subject to protest and review by the Appraisal Districts' respective appraisal review boards. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the 2020 Certified Taxable Value as of January 1, 2020, according to data supplied by the Appraisal Districts. See "DISTRICT TAX DATA."
- (c) See "DISTRICT DEBT – Estimated Overlapping Debt."
- (d) Unaudited figure per the District's records. See "DESCRIPTION OF THE SYSTEM – General Fund Operating History."
- (e) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund or the Road Debt Service Fund. The cash and investment balances in the Road Debt Service Fund are not available to make debt service payments on the Bonds. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue" and "THE BONDS – Funds."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds plus the debt service requirements on the Series 2021 Bonds.

<u>Year</u>	<u>Outstanding Debt Service Requirements</u>	<u>Plus: Debt Service on the Series 2021 Bonds</u>		<u>Total Debt Service Requirements</u>
		<u>Principal</u>	<u>Interest</u>	
2021	\$1,060,627		\$56,453	\$1,117,080
2022	\$1,237,661		\$225,812	\$1,463,473
2023	\$1,226,904		\$225,812	\$1,452,716
2024	\$1,319,067	\$175,000	\$221,875	\$1,715,942
2025	\$1,333,588	\$200,000	\$213,437	\$1,747,025
2026	\$1,341,729	\$200,000	\$204,437	\$1,746,166
2027	\$1,378,100	\$225,000	\$195,156	\$1,798,256
2028	\$1,387,479	\$225,000	\$185,593	\$1,798,072
2029	\$1,419,878	\$250,000	\$175,500	\$1,845,378
2030	\$1,425,492	\$250,000	\$167,687	\$1,843,179
2031	\$1,400,063	\$275,000	\$162,437	\$1,837,500
2032	\$1,452,629	\$275,000	\$156,937	\$1,884,566
2033	\$1,452,808	\$300,000	\$151,187	\$1,903,995
2034	\$1,476,223	\$300,000	\$145,187	\$1,921,410
2035	\$1,448,319	\$325,000	\$138,937	\$1,912,256
2036	\$1,468,892	\$325,000	\$132,437	\$1,926,329
2037	\$1,486,928	\$325,000	\$125,937	\$1,937,865
2038	\$1,482,790	\$350,000	\$118,968	\$1,951,758
2039	\$1,496,571	\$350,000	\$111,531	\$1,958,102
2040	\$1,532,576	\$375,000	\$103,593	\$2,011,169
2041	\$1,521,320	\$400,000	\$94,875	\$2,016,195
2042	\$1,503,787	\$425,000	\$85,593	\$2,014,380
2043	\$1,534,092	\$450,000	\$75,750	\$2,059,842
2044	\$1,517,168	\$450,000	\$65,625	\$2,032,793
2045	\$1,567,652	\$475,000	\$54,921	\$2,097,573
2046	<u>\$707,218</u>	\$500,000	\$43,343	\$1,250,561
2047		\$500,000	\$31,468	\$531,468
2048		\$525,000	\$19,296	\$544,296
2049		<u>\$550,000</u>	<u>\$6,531</u>	<u>\$556,531</u>
TOTALS	\$36,179,561	\$9,000,000	\$3,696,315	\$48,875,876

Maximum Annual Debt Service Requirement (2045) \$2,097,573

\$0.60 debt service tax rate on the 2021 Preliminary Taxable Value of \$368,923,459
at 95% collections produces \$2,102,864

\$0.67 debt service tax rate on the 2020 Certified Taxable Value of \$329,916,093
at 95% collections produces \$2,099,916

See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

OFFICIAL STATEMENT

relating to

\$9,000,000

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 2

(A political subdivision of the State of Texas located within Fort Bend and Waller Counties, Texas)

UNLIMITED TAX BONDS

SERIES 2021

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$9,000,000 Fort Bend-Waller Counties Municipal Utility District No. 2 Unlimited Tax Bonds, Series 2021 (the "Bonds" or the "Series 2021 Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, pursuant to a resolution (the "Bond Resolution") adopted by the Board of Directors of Fort Bend-Waller Counties Municipal Utility District No. 2 (the "District"), an approving order of the Texas Commission on Environmental Quality (the "TCEQ"), an election held within the District, and a resolution adopted by the City of Katy, Texas (the "City") approving the sale of the Bonds.

This Official Statement includes descriptions of the Bonds, the Bond Resolution, certain information about the District and its financial condition, and the developers in the District. 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 Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Fort Bend County, Waller County, the City, or any other political subdivision. The Bonds are payable from a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to generate property taxes to pay debt service at current levels.

Infectious Disease Outlook (COVID-19)

The World Health Organization 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. On March 2, 2021, the Governor issued Executive Order GA-34 whereby the Governor ordered there be no operating limits for any business or other establishment, except in Trauma Service Areas that have had seven consecutive days in which the number of COVID-19 hospitalized patients as a percentage of total hospital capacity exceeds 15 percent, in which case the county judge may order COVID-19 mitigating measures not to include requiring the use of face coverings. Pursuant to Executive Order GA-34, such COVID-19 mitigating measures would remain in effect until such time as the Trauma Service Area has seven consecutive days in which the number of COVID-19 hospitalized patients as a percentage of total hospital capacity is 15 percent or less.

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 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. Stock values and crude oil prices, in the U.S. and globally, have seen significant volatility attributed 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 or construction 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. However, they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition.

Winter Storm Uri

From February 12-19, 2021, the State of Texas experienced a severe winter storm ("Winter Storm Uri") which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the District. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. The District did not sustain material damage to its infrastructure during Winter Storm Uri, but the District cannot predict the impact of future winter weather events.

Marketability

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

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through foreclosure may be impaired by: (a) repetitive, annual expensive collections procedures, (b) a federal bankruptcy court's stay of tax collection procedures, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such 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.

Approximately \$176,797,745 of the District's certified assessed valuation for 2020 is personal property. The amount of personal property value in the District is greater than that found in most Houston area districts where the taxable value generally reflects residential property, land, and improvement values. Collection of delinquent personal property taxes may represent special issues including a shorter "four-year" statute of limitations relative to the collection of such taxes. See "– Personal Property Tax Collections" herein. During the past six years (i.e., the 2015 tax year through and including the 2020 tax year), the District has collected 100% of its tax levy, including taxes levied against personal property. See "DISTRICT TAX DATA – Tax Rate and Collections." The District makes no representation that such tax collection percentage will continue in the future.

Based on the District's 2020 tax roll, the taxable personal property constitutes a total taxable value of approximately \$153,149,988, which represents approximately 46% of the District's 2020 Certified Taxable Valuation. While the value of taxable real property is subject to fluctuation, taxable personal property is mobile and capable of being removed entirely from the District and its tax rolls. The taxable personal property on the District's 2020 certified tax roll was primarily owned by Southern Glazer's Wine and Spirits of Texas, LLC ("SGWS"), Medline Industries, Inc., Pepperl & Fuchs Enterprises, Inc., and Bel Furniture. To the extent that, for any reason, SGWS, Medline Industries, Inc., Pepperl & Fuchs Enterprises, Inc., or Bel Furniture reduces the size of its operations in the District or ceases to operate in the District altogether, and is not replaced by a similar business, the impact on the taxable valuation of the District would be significant. In addition, should SGWS, Medline Industries, Inc., Pepperl & Fuchs Enterprises, Inc., or Bel Furniture vacate its facilities, there may be a limited market for such facility. The District makes no representation regarding the likelihood that personal property currently listed on the District's tax rolls will remain in the District, or regarding the portion of future District tax rolls that will be represented by personal property. See "– Dependence on Principal Taxpayers" herein, "DISTRICT TAX DATA – Principal Taxpayers," and "– Analysis of Tax Base."

Personal Property Tax Collection

Unlike real property, there is no certainty that personal property will remain in the District from year to year. Personal property is portable and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year.

If personal property is subject to a lien for unpaid District taxes for any year, the District's lien is lost if the property is sold in the ordinary course of business. While a lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property located outside the District. Furthermore, locating and foreclosing on property held outside the District may be costly, inefficient, and difficult.

The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20-year statute of limitations for real property and improvements. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. No representation can be made by the District regarding future tax collections. See "TAXING PROCEDURES."

Dependence on Principal Taxpayers

Based upon the 2020 certified tax rolls, the top 10 taxpayers are responsible for approximately 79.1% of the District's 2020 taxes. The ability of the principal taxpayers to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, the principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to use other funds available for debt service purposes to the extent available. Further, if any of the principal taxpayers cease to operate its facility within the District, a substantial decrease in the District's value may result (because of the loss of personal property value); the District has no understanding with any of the principal taxpayers regarding their future level of operations in the District. The District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund, Road Debt Service Fund, or any other funds. Therefore, failure by the principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds and the Outstanding Bonds on a current basis. See "THE DISTRICT'S DEVELOPER" and "DISTRICT TAX DATA – Principal Taxpayers."

Dependence on Future Development and Potential Impact on District Tax Rates

Assuming no further construction of commercial or industrial projects within the District other than those that have been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be \$2,097,573 (2045). Assuming no increase or decrease from the 2021 Preliminary Taxable Value of \$368,923,459 and no use of other District funds, a debt service tax rate of \$0.60 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. Assuming no increase or decrease from the 2020 Certified Taxable Value of \$329,916,093 and no use of other District funds, a debt service tax rate of \$0.67 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

Registered Owners' Remedies

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

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. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws.

During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of, or negotiated in good faith with, its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

Approval of the Bonds

As required by law, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Economic Factors and Interest Rates

A substantial percentage of the taxable values of the District are derived from the current market value of industrial improvements, tracts developed for commercial and industrial purposes, and undeveloped tracts planned for commercial and industrial development. The market value of such tracts is related to general economic conditions affecting the demand for commercial and industrial space. Demand for tracts of this type and the construction of commercial or industrial projects thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability, and the prosperity and demographic characteristics of the urban center toward which the marketing of such tracts is directed. Decreased levels of construction activity or reduced resale value of such tracts would tend to restrict the growth of property values in the District or could adversely impact such values.

The commercial and industrial real estate industry in the Houston area is competitive, and the District can give no assurance that development programs will be implemented or completed. The sale of developed commercial and industrial tracts and the competitive position of prospective builders in the construction of commercial and industrial establishments are affected by most of the factors discussed herein. The District's ability to pay debt service payments on its Bonds is directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

The growth of taxable values in the District is directly related to the vitality of the commercial and industrial development and commercial and industrial building industry in the Houston metropolitan area. The commercial and industrial development and building industry has historically been a cyclical industry, affected by short-term and long-term interest rates, consumer demand, foreclosure rates, availability of mortgage and development funds, labor conditions, and general economic conditions. The Houston economy is still dependent on energy prices and the continuation of relatively low oil and natural gas prices could result in additional adverse effects on the Houston area economy. High commercial and industrial property foreclosure rates may also affect commercial and industrial mortgage lenders' willingness to accept risks and potential borrowers' ability to qualify for loans. The ability to qualify for commercial and industrial mortgage loans may negatively affect the commercial and industrial development and building industry and the growth of taxable values in the District.

Potential Effects of Oil Price Volatility on the Houston Area

The recent volatility in oil prices in the U.S. and globally, which at times has 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 construction 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.

Landowners/Developer Under No Obligation to the District

Neither the Developer nor any other landowner within the District has any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of buildings in the District. Currently, there is no restriction on any landowner's right (including the Developer's) to sell its land. Failure to construct taxable improvements on developed lots (anticipated to be created by the Developer) or commercial tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District as it has in the past. The District is also dependent upon certain principal taxpayers (see "DISTRICT TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes.

Future Debt

The District's voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$40,575,000	For certain water, sanitary sewer, and storm water facilities and for refunding
\$16,785,000	For certain road facilities and for refunding
\$7,680,000	For certain parks and recreation facilities and for refunding

After the issuance of the Bonds, the District will have \$20,375,000 of unlimited tax water, sanitary sewer, and storm water facilities bonds that remain authorized but unissued, \$4,520,000 of unlimited tax road bonds that will remain authorized but unissued, and \$7,680,000 of unlimited tax park and recreation bonds that remain authorized but unissued.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except for new money road bonds) to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination by the City to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Parks and Recreational Facilities

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) approval of the park project and bonds by the TCEQ; and (b) 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 District has prepared a park plan, and conducted a park and recreational facilities bond election on November 3, 2009, that authorized \$7,680,000 of park bonds.

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

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;

- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the 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.

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

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

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

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

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

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

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

and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

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

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

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

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

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

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

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

Due to 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.

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

Default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

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

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

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

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

Severe Weather

The District is located approximately 90 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to 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 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 would be adversely affected.

The greater Houston area has experienced multiple storms exceeding a 0.2% probability of occurrence (i.e., "500-year flood" events) since 2015. If the District were to sustain damage to its facilities as a result of such a storm (or any other severe weather event) requiring substantial repair or replacement, or if substantial damage to taxable property within the District were to occur as a result of a severe weather event, the investment security of the Bonds could be adversely affected.

Hurricane Harvey

The Houston area, including the area in and around the District in Fort Bend and Waller Counties, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the District's Engineer and certain other information available to the District, the Facilities (hereinafter defined) did not sustain any significant damage and there was no interruption of water and sewer service provided by the City during or after the storm. According to the Developer, none of the buildings within the District experienced flooding or other significant damage as a result of Hurricane Harvey.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

Riverine (or Fluvial) Flooding – Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Tax Payment Installments

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 taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date. See "TAXING PROCEDURES."

Atlas 14

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

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developer for certain water, wastewater, drainage, and detention improvements in the District; (2) reimburse the developer for certain land acquisition costs for detention basins within the District; (3) fund developer interest; and (4) pay bond issuance and administrative expenses.

The Engineer has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

CONSTRUCTION COSTS	Total Amount
<i>Developer Contribution Items</i>	
Commerce Parkway, Phase I – W, WW, D	\$1,511,313
Commerce Parkway, Phase II and West 10 Boulevard – W, WW, D	\$570,409
12-Inch Waterline Extension	\$327,807
Southeast Detention Basin	\$49,456
Choctaw Lane and Cherokee Road – W, WW, D	\$496,495
Tract 6 Detention Basin	\$521,952
Northeast Detention Basin	\$191,493
Morris Oliver Way, Parkside Street, and Buc-ee's Boulevard – W, WW, D	\$1,046,877
Engineering and Materials Testing Costs	\$774,204
<i>Total Developer Contribution Items</i>	\$5,490,006
<i>District Items</i>	
Land Acquisition Costs – Northeast Detention Basin	\$600,403
Land Acquisition Costs – Tract 6 Detention Basin	\$737,663
<i>Total District Items</i>	\$1,338,066
SUBTOTAL CONSTRUCTION COSTS	\$6,828,072
<i>Less Surplus Funds</i>	<i>(\$44,498)</i>
TOTAL CONSTRUCTION COSTS	\$6,783,574 (a)
NON-CONSTRUCTION COSTS	
Legal Fees	\$220,000
Financial Advisor Fees	\$130,000
Developer Interest	\$1,205,116
Bond Discount	\$268,267
Operating Costs	\$280,000
Bond Issuance Expenses	\$34,810
Bond Application Report Costs	\$45,000
TCEQ Bond Issuance Fee	\$22,500
Attorney General's Fee	\$9,000
Contingency	\$1,733 (b)
TOTAL NON-CONSTRUCTION COSTS	\$2,216,426
TOTAL BOND ISSUE REQUIREMENT	\$9,000,000

(a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. The District has been granted a waiver of such requirement.

(b) The District will designate any surplus Bond proceeds resulting from the sale of the Bonds at a lower interest rate than the estimated rate as a contingency line item in the Final Official Statement. Such funds will be used by the District to fund costs only after approval by the TCEQ.

THE DISTRICT

Authority

The District is a municipal utility district created on June 19, 2009, with the passage of Senate Bill 860 in the 81st Texas Legislative Session (codified as Chapter 8329, Texas Special District Local Laws Code). The District was created pursuant to the authority of Article XVI, Section 59, of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct,

operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District was created with certain road powers.

Under certain limited circumstances, the District is authorized to construct, develop, and maintain park and recreational facilities, and to construct roads. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to provide such facilities and services to the customers of the District.

In order to obtain the consent of the City, within whose corporate limits the District lies, to the District's creation, the District has agreed to observe certain City requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities, road facilities, and park and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require the City's approval of certain of the District's construction plans and specifications.

Description and Location

The District, as it was originally created, included approximately 472 acres. Since its creation, the District has not excluded any tracts of land and has not annexed any tracts of land. The District has indicated its intent to annex an approximately 110-acre tract of land and a separate approximately 15.5-acre tract of land into the District. See "THE DISTRICT'S DEVELOPER – Future Development." The District is located entirely within the corporate limits of the City. The District is located in southeast Waller County, Texas and northern Fort Bend County, Texas. The District is located approximately two (2) miles west of the central business district of the City and approximately 30 miles west of the central business district of the City of Houston, Texas. The District is bounded on the west by Commerce Parkway, on the south by Interstate Highway 10, on the north by U.S. Highway 90, and on the east by Snake Creek tributary. Business owners and travelers gain access to the District by traveling west from the City's central business district on U.S. Highway 90 and south on Cane Island Parkway or west on Interstate Highway 10 and north on Cane Island Parkway.

Land Uses and Status of Land Development

A summary of the approximate land use in the District as of May 1, 2021, appears in the following table. See "APPENDIX B – Aerial Photograph" for further illustration of the status of land development and status of commercial and light industrial building development in the District.

<u>Type of Land Use</u>	<u>Approximate Acres</u>
Developed and Improved Acres	263 (a)
Developed and Unimproved Land	28 (b)
Acres Under Development	12 (c)
Additional Developable Acreage	0 (d)
Undevelopable Land	169 (e)
Total Approximate Acres	472

- (a) Represents land that has utility service and building improvements constructed onsite.
- (b) Represents land that has utility service, but does not yet have building improvements constructed onsite.
- (c) Represents land that is currently being developed with utilities or under construction.
- (d) At present there are no additional developable acres within the District.
- (e) Includes street rights-of-way, detention ponds, drainage easements, and open spaces in the District.

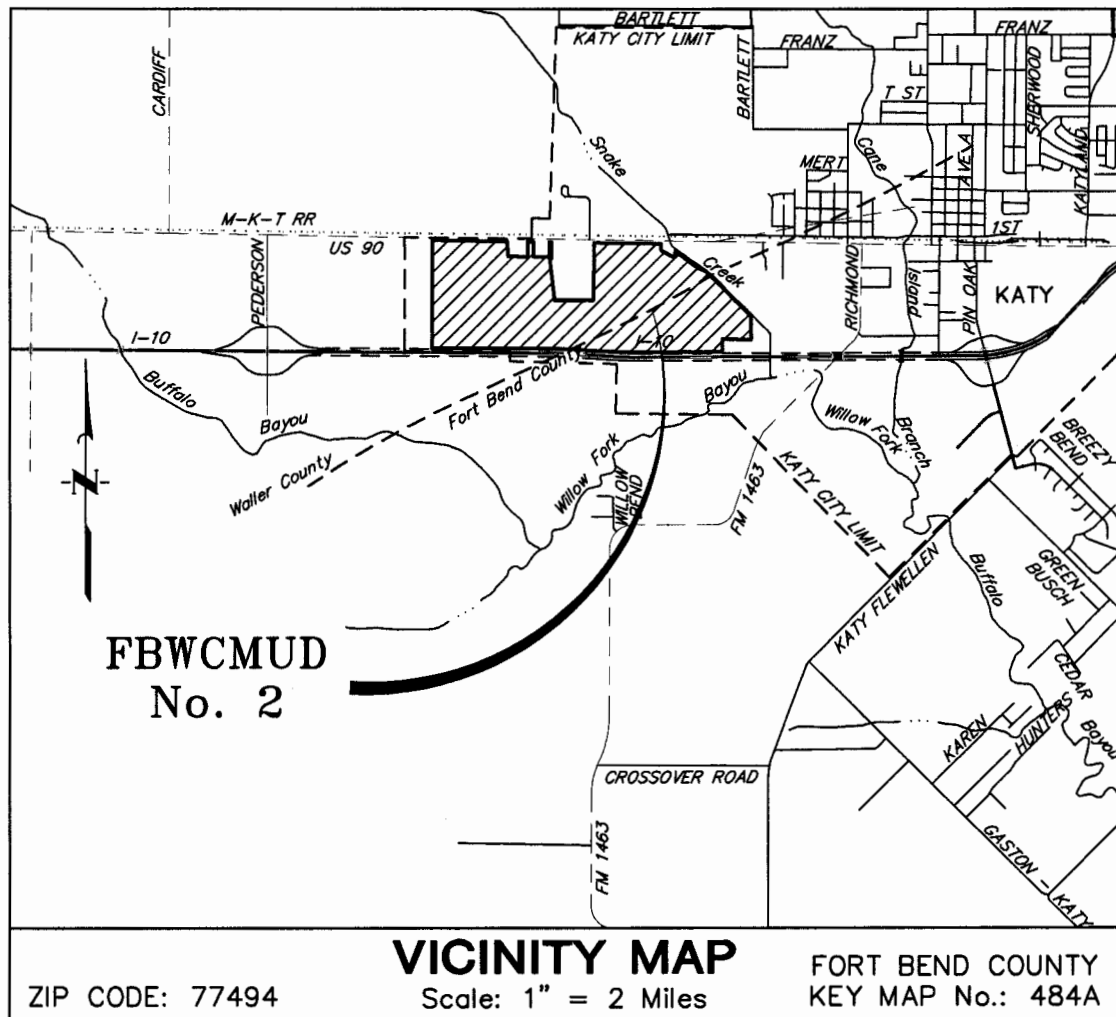
Status of Commercial and Industrial Building Development

The District encompasses the West Ten Business Park, a master planned business park project that contains: (i) light industrial and manufacturing buildings; (ii) warehouse distribution centers; (iii) retail buildings; and (iv) developed sites for additional commercial and light industrial building development. As of May 1, 2021, commercial and industrial building development in the District included the facilities shown in the table below. Additionally, site work is expected to commence imminently on a 196,000 sq. ft. distribution facility, which is expected to be completed during the first quarter of 2022.

Acreage	Owner and/or Tenant	Building Size (sq. ft.)	Type of Business
56.19	(a) Medline Industries, Inc.	500,000	Medical supply company
31.94	(b) Igloo Products Corp	420,000	Warehouse and distribution
54.26	(c) TDC WT Phase I LLC/Bel Furniture	415,000	Warehouse and distribution
3.03	(d) Thomas R. Graham LLC	18,000	Warehouse and distribution
1.77	(e) Vigavi West 10 LLC	127,717	Warehouse and distribution
12.65	(f) Pepperl + Fuchs	110,000	Office R&D space showroom and warehouse
15.55	(g) Buc-ee's	56,200	120-pump travel center
5.00	(h) Vahle, Inc.	45,000	Electrical engineering and manufacturing
42.83	(i) Southern Glazer's Wine and Spirits	673,785	Distribution facility
11.80	(j) Rothchild Retail	20,000	Multi-tenant retail facility
42.83	(k) CVS Pharmacy	14,698	Retail pharmacy
17.26	(l) Insite Realty Partners	280,000	Multi-tenant industrial facility
20.00	(m) Amazon, Inc.	240,000	Warehouse, distribution and fulfillment center
3.52	(n) Newton Nursery	15,000	Wholesale plant nursery
1.00	Adriatic Café	7,000	Full-service restaurant
2.50	(n) Mill Creek Custom Homes	15,000	Custom home design center and showroom

- (a) The 500,000 sq. ft. building in which Medline Industries, Inc. ("Medline") is currently operating was formerly owned by Medline. Medline sold the building to Exeter 501 Commerce LP ("Exeter") and entered into a lease with Exeter. Medline has maintained its operations in the District pursuant to its lease agreement with Exeter. Based on the 2020 certified tax roll as provided by WCAD, Medline has approximately \$44,541,406 of personal property value in this facility. See "DISTRICT TAX DATA – Principal Taxpayers."
- (b) Represents a warehouse and distribution center occupied by Igloo Products Corp. Igloo Products Corp. does not own the land or building improvements, but has a long-term lease for its operations in such facility. Based on the 2020 certified tax roll as provided by WCAD, Igloo Products Corp. has approximately \$3,092,362 of personal property value in this facility. Igloo Products Corp. uses the facility as a distribution center for the business that it does with Wal-Mart stores.
- (c) TDC WT Phase I ("Transwestern") is comprised of two (2) buildings, including a 340,000 sq. ft. building and a 75,000 sq. ft. building, which are located on approximately 44 acres. Transwestern sold the 340,000 sq. ft. building and the 75,000 sq. ft. building to Bel Furniture. Bel Furniture has moved its entire inventory into the 340,000 sq. ft. building and transitioned the 75,000 sq. ft. building into their Houston showroom. Transwestern owns approximately 30 additional fully developed acres to be potentially built upon as Phase II of the project.
- (d) Represents a build-to-suit metal building. Sunrise Fasteners is the current tenant of the building.
- (e) Represents four (4) spec warehouse buildings that are all complete and leased.
- (f) Represents an office, research and development space, showroom, and warehouse building that is the North American headquarters for Pepperl & Fuchs. The building is designed to accommodate a 40,000 sq. ft. expansion at some time in the future. Based on the 2020 certified tax roll as provided by WCAD, Pepperl & Fuchs has approximately \$26,349,670 of personal property value in this facility. See "DISTRICT TAX DATA – Principal Taxpayers."
- (g) Represents Buc-ee's Katy location, which includes a 56,200 sq. ft. building used for retail purposes, 120 gasoline and fuel pump stations, and additional car wash facilities. The Buc-ee's Katy location is one of the largest facilities ever to be developed by Buc-ee's and contains the world's longest car wash facility.
- (h) Site work began in July 2017 and construction was completed in June 2018. Vahle opened their facility for business in July 2018.
- (i) Construction of the 673,785 sq. ft. distribution facility was completed in July 2018 by Oakmont Industrial Group ("Oakmont"). Oakmont sold the facility to SGWS in September 2018. SGWS is one of the largest distributors of wine and spirits in the United States. Effective December 11, 2018, the District entered into a tax abatement agreement with Houston Property Partners II, LLC, and SGWS. Based on the 2020 certified tax roll as provided by WCAD, the abatement value received by SGWS pursuant to the terms of such agreement totaled \$23,099,308. Based on the 2020 certified tax roll as provided by WCAD, SGWS has approximately \$55,280,116 of personal property value in this facility. See "DISTRICT TAX DATA – Analysis of Tax Base," "– Principal Taxpayers," and "TAXING PROCEDURES – Tax Abatement."
- (j) The retail building includes six (6) available retail suites. According to the Developer, approximately 70% of the building is currently leased and occupied with tenants. Additionally, there are plans to add two (2) additional 20,000 sq. ft. multi-tenant retail buildings at some point in time in the future. However, no specific construction plans exist at this time.
- (k) CVS opened their facility for business in April 2019.
- (l) Building construction was completed during the first quarter of 2020.
- (m) Transwestern completed the construction of this facility during the first half of 2019. Amazon, Inc. purchased the land and building during the first half of 2020 and was fully operational by the end of calendar year 2020.
- (n) Construction of the Newton Nursery facility and Mill Creek Custom Homes design center and showroom was completed during calendar year 2020. The facilities were occupied and fully operational by both of their respective establishments during 2020.

LOCATION MAP



THE DISTRICT'S DEVELOPER

Role of a Developer

In general, the activities of developers in a municipal utility district such as the District include purchasing the land within a district, designing the streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities, and selling improved lots and commercial reserves to builders, other developers, or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater, and drainage facilities in the utility district exclusive of water and sewage treatment plants unless a waiver from this requirement is requested and obtained from the TCEQ by the District, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

Parkside-Stratford/I-10, Ltd.

The Developer in the District is Parkside-Stratford/I-10, Ltd. (the "Developer") a Texas limited partnership that was established for the purpose of developing the approximately 472 acres of land located within the District. The limited partners of the Developer are PRF/I-10 Partners, Ltd., a Texas limited partnership, comprised of a number of individual investors and investment entities and Stratford Land Fund II, LP, a Delaware limited partnership based in Dallas that provides land investment management services to private and institutional investors.

The General Partner of Parkside-Stratford/I-10, Ltd. is Parkside Capital, LLC ("Parkside Capital"), a Texas limited liability company. Parkside Capital currently has a Houston area portfolio of 23 properties totaling more than 3,000 acres. The properties are in various stages of development and marketing and range in size from one acre to approximately 1,300 acres.

The leadership of Parkside Capital has been active in real estate financing, land development, and building development in the Houston area for the past 30 years. John S. Moody is Chief Executive Officer of Parkside Capital and manages the Developer's activities in the District, together with Dan T. Moody, Executive Vice President, and Brett Walker, Executive Vice President.

John S. Moody, Chief Executive Officer of Parkside Capital, is a graduate of Stanford University and the University of Texas Law School. He founded and served as managing partner of Wood Campbell Moody & Gibbs from 1973-1984. Between 1984 and 1987, he led a real estate development and management company that developed more than 2,500 acres and 1,500 lots in the Houston region. From 1987 through 1991, he was President of Paine Webber Properties in New York, with responsibilities for structuring and marketing \$3 billion of real estate fund assets. In 1991, he was named President of Cornerstone Properties, a publicly traded REIT managing trophy office buildings throughout the country. In 2000, he became President of Marsh and McLennan's global real estate services group and in 2004, he was named to head HRO Asset Management, which provided services to Commerzbank real estate unit and liquidated more than \$850 million of assets with an IIR in excess of 30%. In 2004, he founded Parkside Capital. Dan T. Moody, Executive Vice President of Parkside Capital, is a graduate of University of Houston's Graduate School of Business Administration and the University of Colorado. He serves as project manager for a number of Parkside Capital's projects. He has previous experience with Huron Consulting and Simmons Vedder in the Houston area. Brett Walker, Executive Vice President of Parkside Capital, is a graduate of the Bauer College at the University of Houston and worked from 2000 through 2015 with the Gustafson Group overseeing that company's entire property portfolio and directing all acquisitions and dispositions as well as equity investments.

Developer Financing

The Developer currently has no outstanding development loans. The Developer previously had a variable rate development loan with a local Houston bank. According to a representative of the Developer and the lending institution, the development loan was paid off in full on September 20, 2017.

Future Development

On January 24, 2019, the District indicated its intent to annex approximately 15.5 acres of land by entering into an annexation agreement by and between the District and F.L. Tucker, LLC, an entity affiliated with Mustang Machinery Company, Ltd. d/b/a Mustang Cat. Additionally, on August 27, 2020, the District indicated its intent to annex an additional approximately 110 acres of land by entering into an annexation agreement by and between the District and Parkside Capital Land Fund III, Ltd., an entity owned and controlled by Parkside Capital. The separate annexation agreements with F.L. Tucker, LLC and Parkside Capital Land Fund III, Ltd. are collectively referred to herein as the "Annexation Agreements." Subject to certain terms and conditions of the Annexation Agreements, the District agrees to pursue annexation of the 15.5-acre tract and the 110-acre tract and expresses its good faith intention to annex such tracts if F.L. Tucker, LLC and Parkside Capital Land Fund III, Ltd. comply with the terms of

the Annexation Agreements. However, the Annexation Agreements in no way obligate the District to annex the 15.5-acre tract or the 110-acre tract, nor do the Annexation Agreements guarantee that annexation of such tracts will occur. Additionally, any annexation must also first be approved by the City prior to annexation occurring.

Subsequent to entering into an annexation agreement with the District, F.L. Tucker, LLC, sold the 15.5-acre tract, which is currently owned by OWL Partner Group, LP. The 15.5-acre tract is undeveloped land, which, based on current land plans, is anticipated to be developed for commercial and light industrial purposes. According to OWL Partner Group, LP, the 15.5-acre tract is currently planned for approximately 205,000 sq. ft. of commercial and light industrial buildings. The 110-acre tract currently owned by Parkside Capital is undeveloped land, which, based on current land plans, is anticipated to be developed for predominantly single-family residential purposes. According to Parkside Capital, the 110-acre tract is currently planned for approximately 194 single-family residential lots and 31 acres of commercial development.

As stated elsewhere in this Official Statement, the Developer, and any future developers, have no commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land, the construction of homes, or the construction of commercial improvements in the District. Future development and homebuilding depend, in part, upon short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. Neither the District nor Parkside Capital, or any other future developers, represent that the development of the 15.5-acre tract or the 110-acre tract will ever be undertaken or that any taxable improvements will ever be constructed thereon. Additionally, no representation is made that the annexation of the 15.5-acre tract or the 110-acre tract will ultimately occur. See "RISK FACTORS – Economic Factors and Interest Rates" and "– Landowners/Developer Under No Obligation to the District."

UTILITY SERVICE AGREEMENT WITH THE CITY OF KATY

The District operates pursuant to a Utilities Functions and Services Allocation Agreement, as amended (the "Utility Service Agreement") between the City and the Developer, which was subsequently assigned to the District by the Developer (except for the financing obligations of Developer). Pursuant to the Utility Service Agreement, the District assumed responsibility for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution and wastewater collection facilities to serve development occurring within the boundaries of the District (the "Facilities") and the City agreed to provide the District with its ultimate capacity needs for water and wastewater service and to make an annual payment to the District in consideration of the District's financing, acquisition, and construction of the Facilities. The Utility Service Agreement is currently in the process of an additional amendment, which is expected to be completed in June of 2021.

The Facilities. The Utility Service Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply subject to a per-connection capital recovery fee. The Utility Service Agreement authorizes the District to purchase capacity in the City's Sewage Treatment Plant based on the City's capital recovery fee. The capital recovery fee for water supply is \$1,236.00 per equivalent single-family connection ("ESFC") and for wastewater treatment plant capacity is \$1,236.00 per ESFC. The capital recovery fees for water supply and wastewater treatment plant capacity are subject to change from time to time. The District agrees to limit the quantity of wastewater delivered to the amount of wastewater treatment plant capacity purchased through one point of discharge, which is metered. The City agrees to acknowledge any purchase by the District and agrees to hold such capacity for the sole benefit of the District. The District has the right to assign all or any part of its capacity to subsequent purchasers, landowners, and developers within the District's boundaries. Prior to making any connection to the District's sanitary sewer system, the District agrees to issue an assignment of capacity and ensure that all required inspections are conducted by the City.

Authority of District to Issue Bonds. The District has the authority to issue, sell, and deliver unlimited tax bonds as permitted by law and the City's consent ordinance. Bonds issued by the District are obligations solely of the District and shall not be construed to be obligations or indebtedness of the City.

Ownership, Operation, and Maintenance of the Facilities. Upon completion of construction of the Facilities, the District agrees to convey the Facilities to the City, reserving for itself a security interest in the Facilities for the purpose of securing the performance of the City under the Utility Service Agreement. When all bonds issued by the District to acquire and construct the Facilities have been issued and subsequently paid or redeemed and discharged in full, the District agrees to execute a release of the security interest retained by the District and the City shall own the Facilities without encumbrance. As each phase of the Facilities is completed, the City agrees to inspect the same and upon approval, will accept the Facilities for operation and maintenance. The accepted Facilities shall be operated and maintained by the City at its sole cost and expense. Prior to accepting such Facilities, if the City determines that the Facilities, or any portion thereof, have not been constructed in accordance with approved plans and specifications, the City agrees to notify the District and the District shall correct any deficiency noted by the City.

Rates for Service. The City agrees to bill and collect from customers of the District such rates and charges for such customers as the City, in its sole discretion determines are necessary, provided that the rates and charges will be equal and uniform to those charged to other similar users outside the District. The City may impose a charge for connection to Facilities at a rate to be determined from time to time by the City, provided that the charge is equal to the amount charged other City users for comparable connections.

Annual Payment. The City agrees to make an annual payment (the "Annual Payment") based on the City's property tax rate that is attributable to water, sewer, and drainage facilities based on a formula provided in the Utility Service Agreement.

Under such formula for a given year, the Annual Payment is equal to the amount of the City's property tax rate (per \$100 of assessed valuation) that is attributable to debt service or operation of water, sewer, and drainage facilities multiplied by the assessed valuation in the District. The City's property tax rate attributable to water, sewer, and drainage facilities may change from year to year. The District does not expect to receive any significant amount of money from the City based upon the Annual Payment. The District has not pledged the Annual Payment to the Bonds or the Outstanding Bonds.

Dissolution of the District. The City has the right to abolish and dissolve the District and to acquire the District's assets and assume the District's obligations in accordance with state law. In the Utility Service Agreement, the City agrees that it will not abolish and dissolve the District until: (1) the Facilities required to serve the District have been completed, (2) bonds have been issued to finance the Facilities, and (3) the Developer developing Facilities has been reimbursed by the District to the maximum extent permitted by the rules of the TCEQ and the laws of the state of Texas, or the City assumes the obligation to reimburse the Developer.

DESCRIPTION OF THE SYSTEM

Description of the System and Regulation

The District's water supply and wastewater treatment capacity is provided by the City pursuant to the terms of the Utility Service Agreement. The Utility Service Agreement was executed by the Developer and the City on September 22, 2008, with a term of 40 years. The Utility Service Agreement was subsequently assigned to the District by the Developer (except for the financing obligations of Developer) on August 27, 2009, and was amended on July 23, 2012, and January 27, 2014. All Facilities have 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, as applicable among others, the TCEQ, Fort Bend County, Waller County, and the City.

Water Supply and Wastewater Treatment

The District's water supply and wastewater treatment capacity is all provided by the City pursuant to the terms of the Utility Service Agreement. The District does not operate any water supply or wastewater treatment facilities. The Utility Service Agreement requires the City to provide the District with up to 1,405 ESFCs of water supply capacity and 1,462 ESFCs of wastewater treatment capacity, both of which are adequate to serve the District at ultimate buildout based on current land plans. See "UTILITY SERVICE AGREEMENT WITH THE CITY OF KATY."

Drainage and Detention System

The natural course of drainage in the District flows from northwest to southeast. Storm water is conveyed by overland flow and eventually reaches Snake Creek. Storm sewer collector systems drain runoff from the developed areas and the remaining undeveloped area in the District. The District's system of detention and drainage facilities detains and conveys storm water into Snake Creek.

According to the Engineer, the Flood Hazard Boundary Map published by the Federal Emergency Management Agency (FEMA), currently in effect, and which covers land located in the District, indicates that approximately 66 acres of the land located in the District is located within the 100-year floodplain. All of the acreage located within the 100-year floodplain represents drainage easements, detention ponds, or other designated drainage facilities. None of the developed and improved land and none of the land that is planned for future building development is located in the 100-year floodplain.

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's operations is provided for information purposes only.

	Fiscal Year Ended May 31 (a)				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
REVENUES					
Property taxes	\$715,732	\$429,173	\$330,909	\$584,328	\$610,643
Capital recovery fees	-	\$169,231	-	-	-
Investment earnings	\$14,939	\$18,490	\$2,914	\$742	\$272
TOTAL REVENUES	<u>\$730,671</u>	<u>\$616,894</u>	<u>\$333,823</u>	<u>\$585,070</u>	<u>\$610,915</u>
EXPENDITURES					
Operating and administrative:					
Professional fees	\$97,265	\$85,503	\$69,496	\$85,917	\$73,373
Contracted services	\$9,580	\$9,580	\$9,400	\$23,368	\$24,822
Repairs and maintenance	\$126,268	\$119,738	\$87,207	\$113,858	\$53,006
Administrative	\$22,654	\$14,938	\$13,469	\$12,300	\$11,459
Capital outlay	-	\$139,399	-	-	-
Debt service:					
Developer interest	-	\$29,832	-	-	-
TOTAL EXPENDITURES	<u>\$255,767</u>	<u>\$398,990</u>	<u>\$179,572</u>	<u>\$235,443</u>	<u>\$162,660</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$474,904</u>	(b) <u>\$217,904</u>	<u>\$154,251</u>	<u>\$349,627</u>	<u>\$448,255</u>

(a) Per data provided in the District's audited financial statements. See "APPENDIX A."

(b) As of May 27, 2021, the District's General Fund had an unaudited cash and investment balance of approximately \$2,690,780. For the fiscal year ending May 31, 2021, the District's General Fund is budgeting revenues of \$475,000 and expenditures of \$292,615. For the 11-month period ended April 30, 2021, the District's General Fund has experienced unaudited revenues of approximately \$1,193,186 and unaudited expenditures of approximately \$329,748.

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board"), which has control over and management supervision of all affairs of the District. None of the directors reside in the District; each of the directors owns a parcel of land in the District subject to a note and deed of trust. A directors' election is held in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

<u>Name</u>	<u>Title</u>	<u>Expires May</u>
Suzanne Jackson Corbin	President	2022
Gary K. Whitt	Vice President	2022
Carolyn L. Davis	Secretary	2022
David B. Montgomery	Assistant Vice President	2024
Sharon Wallingford	Assistant Secretary	2024

The District does not employ a general manager or any other full-time employees. The District has contracted for bookkeeping, tax assessing and collecting services, and annual auditing of its financial statements as follows:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Tax Tech, Inc., who is employed under an annual contract to perform the District's tax collection functions.

Bookkeeper – The District has contracted with F. Matuska, Inc. for bookkeeping services.

Auditor – The financial statements of the District as of May 31, 2020, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, Certified Public Accountants, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's May 31, 2020, audited financial statements.

Utility System Operator – The waterworks and wastewater system operator are the City of Katy's Water Department and Sanitary Sewer Department, respectively. The District has contracted with Environmental Allies for operations and maintenance of the District's drainage and detention system.

Engineer – The consulting engineer for the District is Jones & Carter, Inc. (the "Engineer").

Financial Advisor – The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds if and when such bonds are delivered.

Bond Counsel – Allen Boone Humphries Robinson LLP serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Disclosure Counsel – Norton Rose Fulbright US LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

DISTRICT INVESTMENT POLICY

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

DISTRICT DEBT

2021 Preliminary Taxable Value	\$368,923,459 (a)
2020 Certified Taxable Value	\$329,916,093 (b)
Direct Debt	
Outstanding Bonds	\$23,060,000
The Bonds	<u>\$9,000,000</u>
Total Direct Debt	\$32,060,000
Estimated Overlapping Debt	<u>\$17,632,742 (c)</u>
Direct and Estimated Overlapping Debt	\$49,692,742
Percentage of Direct Debt to:	
2021 Preliminary Taxable Value	8.69%
2020 Certified Taxable Value	9.72%
Percentage of Direct and Estimated Overlapping Debt to:	
2021 Preliminary Taxable Value	13.47%
2020 Certified Taxable Value	15.06%
2020 Tax Rate Per \$100 of Assessed Value	
Debt Service Tax	\$0.20
Road Debt Service Tax	\$0.23
Maintenance Tax	<u>\$0.37</u>
Total 2020 Tax Rate	\$0.80
Cash and Temporary Investment Balances as of May 27, 2021	
General Fund	\$2,690,780 (d)
Debt Service Fund	\$708,251 (e)
Road Debt Service Fund	\$831,220 (e)

-
- (a) The January 1, 2021 Preliminary Taxable Value was prepared by the Appraisal Districts and provided to the District for informational purposes only. The preliminary value as provided by WCAD includes real property only and assigns no value to personal property value; such taxable personal property value for the portion of the District located in Waller County was approximately \$149,127,041 for the 2020 tax year. The preliminary values are not binding on FBCAD or WCAD; such values are subject to protest and review by the Appraisal Districts' respective appraisal review boards. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the 2020 Certified Taxable Value as of January 1, 2020, according to data supplied by the Appraisal Districts. See "DISTRICT TAX DATA."
- (c) See "– Estimated Overlapping Debt" herein.
- (d) Unaudited figure per the District's records. See "DESCRIPTION OF THE SYSTEM – General Fund Operating History."
- (e) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund or the Road Debt Service Fund. The cash and investment balances in the Road Debt Service Fund are not available to make debt service payments on the Bonds. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue" and "THE BONDS – Funds."

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in the "Texas Municipal Reports," published by the Municipal Advisory Council of Texas and from information obtained directly from certain jurisdictions. Except for the amounts 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, the amount of which has not been reported. 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.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping Debt</u>	
		<u>Overlapping %</u>	<u>Amount</u>
Waller County	\$41,247,000	4.52%	\$1,865,075
Katy Independent School District	\$1,806,185,631	0.73%	\$13,274,459
City of Katy	\$23,520,000	9.28%	\$2,185,872
Fort Bend County	\$633,879,567	0.05%	\$298,285
Fort Bend County Drainage District	\$25,405,000	0.05%	\$12,051
Total Estimated Overlapping Debt (a)			\$17,632,742
The District (b)			\$32,060,000
Total Direct and Estimated Overlapping Debt			\$49,692,742

(a) The majority of the District's taxable value is located within Waller County (approximately 89%), and the balance of the District's taxable value (approximately 11%) is located within Fort Bend County.

(b) Includes the Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2015 through 2020. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Tax Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate (a)</u>	<u>Tax Levy</u>	<u>Cumulative Tax Collections (b)</u>	<u>Tax Year Ended September 30</u>
2020	\$329,916,093	\$0.80	\$2,639,329	100%	2021
2019	\$224,141,140	\$0.80	\$1,793,129	100%	2020
2018	\$171,486,294	\$0.80	\$1,371,890	100%	2019
2017	\$131,806,540	\$0.80	\$1,054,452	100%	2018
2016	\$100,902,059	\$0.80	\$807,216	100%	2017
2015	\$74,147,844	\$0.80	\$593,183	100%	2016

(a) See "Tax Rate Distribution" herein.

(b) Represents cumulative collections as of April 30, 2021. According to the District's records, the District's current collections have been equal to or exceeded 98% each year for the past five years.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters authorized a maintenance tax of up to \$1.00 per \$100 of assessed valuation at an election held on November 3, 2009. The District's voters authorized a road maintenance tax of up to \$0.25 per \$100 of assessed valuation at an election held on November 3, 2009. See "Tax Rate Distribution" herein.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2015 through 2020.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Debt Service	\$0.20	\$0.26	\$0.25	\$0.30	\$0.15	\$0.00
Road Bond Debt Service	\$0.23	\$0.22	\$0.30	\$0.25	\$0.12	\$0.00
Maintenance/Operations	<u>\$0.37</u>	<u>\$0.32</u>	<u>\$0.25</u>	<u>\$0.25</u>	<u>\$0.53</u>	<u>\$0.80</u>
Total	\$0.80	\$0.80	\$0.80	\$0.80	\$0.80	\$0.80

Additional Penalties

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

Principal Taxpayers

The list of principal taxpayers for 2020 and the other information provided by this table were provided by the Appraisal Districts to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of either of the Appraisal Districts.

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>% of Total</u>
Southern Glazer's Wine and Spirits (a)	Personal Property	\$55,280,116	16.5%
Medline Industries Holdings LP (b)	Personal Property	\$44,541,406	13.3%
Houston Property Partners II LLC (a)	Land & Improvement	\$27,248,806	8.1%
Pepperl & Fuchs Enterprises Inc	Personal Property	\$26,349,670	7.8%
Exeter 501 Commerce LP (b)	Land & Improvement	\$22,666,740	6.8%
Buc-ee's Ltd.	Land, Improvement & Personal Property	\$22,415,070	6.7%
Sara Katy 10 LLC (c)	Land & Improvement	\$21,400,000	6.4%
Bit Holdings Seventy-Nine Inc	Land & Improvement	\$18,213,870	5.4%
TDC WT Phase Two LLC	Land & Improvement	\$13,884,660	4.2%
Cane Island Industrial LLC	Land & Improvement	<u>\$12,700,000</u>	<u>3.8%</u>
TOTALS		\$264,700,338	(d) 79.1%

(a) Houston Property Partners II LLC represents an entity owned and controlled by SGWS. The property value reflected in the table above is net of the \$23,099,308 in abatement value received by Houston Property Partners II, LLC, and SGWS pursuant to the terms of the Abatement Agreement (hereinafter defined). See "TAXING PROCEDURES – Tax Abatement."

(b) The land and building improvements attributable to Exeter were formerly owned by Medline. Medline sold such land and building improvements to Exeter and entered into a lease with Exeter. Medline has maintained its operations in the District pursuant to its lease agreement with Exeter. See "THE DISTRICT – Status of Commercial and Industrial Building Development."

(c) Represents an entity owned and controlled by Bel Furniture; such land and building improvements were formerly owned by TDC WT Phase One LLC ("Transwestern"). Transwestern sold the land and building improvements to Bel Furniture.

(d) The table above does not reflect any property owned by the Developer. Based on information provided by the Appraisal Districts, the Developer has sold substantially all of its land holdings within the District as of the January 1, 2020 Certified Taxable Value. Additionally, the Developer is a party to Vigavi West Ten LLC, which is a joint venture that includes the Developer and Vigavi Real Estate Corp. The table above does not reflect any property owned by Vigavi West Ten LLC. Based on information provided by the Appraisal Districts, Vigavi West Ten LLC has sold substantially all of its land holdings within the District as of the January 1, 2020 Certified Taxable Value. See "THE DISTRICT'S DEVELOPER."

Analysis of Tax Base

Based on information provided to the District by the Appraisal Districts and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2015 through 2020 and includes the January 1, 2021 Preliminary Taxable Value.

Tax Roll Year	Land	Improvements	Personal Property	Gross Valuations	Exemptions	Taxable Valuations
2021						\$368,923,459 (a)
2020	\$67,694,722	\$135,619,921	\$176,797,745 (b)	\$380,112,388	\$50,196,295 (c)	\$329,916,093
2019	\$65,701,286	\$122,855,054	\$70,448,115	\$259,004,455	\$34,863,315	\$224,141,140
2018	\$65,284,524	\$74,402,564	\$45,804,702	\$185,491,790	\$14,005,496	\$171,486,294
2017	\$57,724,280	\$48,681,100	\$38,979,504	\$145,384,884	\$13,578,344	\$131,806,540
2016	\$43,752,817	\$41,800,470	\$26,537,120	\$112,090,407	\$11,188,348	\$100,902,059
2015	\$27,638,180	\$34,214,985	\$22,625,450	\$84,478,615	\$10,330,771	\$74,147,844

(a) The January 1, 2021 Preliminary Taxable Value was prepared by the Appraisal Districts and provided to the District for informational purposes only. The preliminary value as provided by WCAD includes real property only and assigns no value to personal property value; such taxable personal property value for the portion of the District located in Waller County was approximately \$149,127,041 for the 2020 tax year. The preliminary values are not binding on FBCAD or WCAD; such values are subject to protest and review by the Appraisal Districts' respective appraisal review boards. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."

(b) As of the January 1, 2020 Certified Taxable Value, taxable personal property in the District totaled approximately \$153,149,988 and was primarily owned by SGWS, Medline Industries, Inc., Pepperl & Fuchs Enterprises, Inc., and Bel Furniture. The difference between the appraised value of the personal property reflected in the table above (\$176,797,745) and the taxable value of the personal property is \$23,647,757; such difference is primarily attributable to the Freeport Exemption granted on the personal property owned by SGWS, Medline Industries, Inc., Pepperl & Fuchs Enterprises, Inc., Bel Furniture, and other personal property owners within the District. See "RISK FACTORS – Tax Collections" and "TAXING PROCEDURES – Property Subject to Taxation by the District."

(c) The exemption values for tax year 2020 reflected in the table above includes the \$23,099,308 in abatement value received by Houston Property Partners II, LLC, and SGWS pursuant to the terms of the Abatement Agreement (hereinafter defined). See "TAXING PROCEDURES – Tax Abatement."

Estimated Overlapping Taxes

The following table sets forth all 2020 taxes levied by overlapping taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2020 Tax Rate</u>
Waller County	\$0.587145
Katy Independent School District	\$1.388800
City of Katy	\$0.447168
Brookshire-Katy Drainage District	\$0.073200
Waller County Farm Road	\$0.029517
<u>Overlapping Taxes</u>	<u>\$2.525830</u>
The District	\$0.800000
Total Direct & Overlapping Taxes	\$3.325830 (a)

(a) Approximately 89% of the District's 2020 Certified Taxable Value is located within Waller County and approximately 11% is located within Fort Bend County. The overlapping tax data in the table above reflects the overlapping taxes for the portion of the District located in Waller County.

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no transfers of surplus funds from the District's Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the 2021 Preliminary Taxable Value and the 2020 Certified Taxable Value. The calculations utilize a tax rate adequate to service the District's total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2045)	\$2,097,573 (a)
Requires a \$0.60 debt service tax rate on the 2021 Preliminary Taxable Value at 95% collections	\$2,102,864 (a)
Requires a \$0.67 debt service tax rate on the 2020 Certified Taxable Value at 95% collections	\$2,099,916 (a)

(a) A certain amount of the District's total debt service requirements will be paid for with the District's Debt Service tax rate (for water, sewer, and drainage purposes) and a certain portion will be paid for with the District's Road Debt Service tax rate. See "Tax Rate Distribution" herein.

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 and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See "RISK FACTORS – Future Debt." The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Source of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by the voters in the District. See "DISTRICT TAX DATA – Maintenance Tax."

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 in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal Districts have the responsibility for appraising property for all taxing units within their respective county. Such appraisal values are subject to review and change by the Fort Bend Appraisal Review Board and the Waller County Appraisal Review Board (the "Appraisal Review Boards"). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

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; 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 of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 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 including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. 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 homesteads 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 of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions. A "Freeport Exemption" applies to goods, wares, 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 that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing,

processing, or fabricating for fewer 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 that are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Fort Bend County, Waller County or the City of Katy may designate all or part of the area within the District as a reinvestment zone. Thereafter, either the City of Katy, Fort Bend County, Waller County, or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt property from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Effective December 11, 2018, the District entered into a tax abatement agreement (the "Abatement Agreement") with Houston Property Partners II, LLC, and Southern Glazer's Wine and Spirits of Texas, LLC, which continues until December 31, 2028, unless terminated earlier pursuant to the terms of the Abatement Agreement, and which, subject to certain adjustments and conditions, provides a property tax abatement of 40% for the years 2019 through and including 2028 on real property improvements and certain qualifying personal property located in the District by Houston Property Partners II, LLC, and Southern Glazer's Wine and Spirits of Texas, LLC, all as provided in the Abatement Agreement. The Abatement Agreement resulted in an abatement value of \$23,099,308 for the 2020 tax year. See "DISTRICT TAX DATA – Principal Taxpayers" and "– Analysis of Tax Base."

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal Districts at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Boards, 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 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. 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 chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land and timberland. Developers in the District have waived their rights to agricultural use, open space, or timber land exemptions.

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

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

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 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 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 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) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

Developed Districts. Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts. Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District. A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. The Board of Directors designated the District as a Developing District for purposes of setting the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "DISTRICT TAX DATA – Estimated Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien whether or not the debt or lien existed before the attachment of the tax lien; 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 and land designated for agricultural use and six months for all other 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 six months for commercial property, within two years for residence homesteads and land designated for agricultural use, and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections."

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent the FIRREA provisions are valid and applicable to any property in the District and to the extent that the affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes.

CONSOLIDATION

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets and liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating.

Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

THE BONDS

General

The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes terms, conditions, and provisions for the payment of the principal of, and interest, on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Resolution. Capitalized terms in such summary are used as defined in the Bond Resolution. Such summary is not a complete description of the entire Bond Resolution and is qualified in its entirety by reference to the Bond Resolution, a copy of which is available from the District's Bond Counsel upon request.

The Bonds are dated and will bear interest from July 1, 2021, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable October 1, 2021, and each April 1 and October 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of the principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds, will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

In the event that the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Optional Redemption

The Bonds maturing on and after April 1, 2027, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on April 1, 2026, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

Mandatory Redemption

The Bonds maturing April 1 in the years 2029, 2044, and 2049 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown in the tables below.

\$700,000 Term Bonds, due April 1, 2029

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2027	\$225,000
April 1, 2028	\$225,000
April 1, 2029 (maturity)	\$250,000

\$2,100,000 Term Bonds, due April 1, 2044

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2040	\$375,000
April 1, 2041	\$400,000
April 1, 2042	\$425,000
April 1, 2043	\$450,000
April 1, 2044 (maturity)	\$450,000

\$2,550,000 Term Bonds, due April 1, 2049

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2045	\$475,000
April 1, 2046	\$500,000
April 1, 2047	\$500,000
April 1, 2048	\$525,000
April 1, 2049 (maturity)	\$550,000

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

Notice of Redemption; Partial Redemption

While the Bonds are in book-entry-only form, pursuant to the Bond Resolution, the Term Bonds will be scheduled for annual mandatory sinking fund redemption by DTC in accordance with its procedures. If the book-entry-only system is discontinued, the Paying Agent/Registrar shall select by lot the Term Bonds, if any, to be redeemed and issue a notice of redemption in the manner provided below. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption by the mailing of a notice by the Paying Agent/Registrar to each of the registered owners of the Bonds to be redeemed at the address shown on the records of the Paying Agent/Registrar on the date which is 45 calendar days prior to the redemption date. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than \$5,000 in principal amount may be redeemed in part (\$5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

Source of and Security for Payment

The Bonds are secured by, and payable from, the levy of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in 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, Registrar fees, and Appraisal Districts fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Fort Bend County, Waller County, the City of Katy, or any entity other than the District.

Defeasance

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

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

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

Funds

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

The District also maintains a Road Debt Service Fund that is not pledged to the Bonds. Funds in the Road Debt Service Fund are not available to pay principal and interest on the Bonds.

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developer for certain construction and land acquisition costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Resolution or ultimately transferred to the Debt Service Fund.

No Arbitrage

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

Paying Agent/Registrar

Pursuant to the Bond Resolution, the initial paying agent and initial registrar with respect to the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, any outstanding bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Resolution to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Dallas, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) 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 30 calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity as may be required by either of them to keep them harmless. The District will require payment of taxes, governmental charges, and expenses in connection with any such replacement.

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 authorities, 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 authorities, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured 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.

Issuance of Additional Debt

The District’s voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$40,575,000	For certain water, sanitary sewer, and storm water facilities and for refunding
\$16,785,000	For certain road facilities and for refunding
\$7,680,000	For certain parks and recreation facilities and for refunding

After the issuance of the Bonds, the District will have \$20,375,000 of unlimited tax water, sanitary sewer, and storm water facilities bonds that remain authorized but unissued, \$4,520,000 of unlimited tax road bonds that will remain authorized but unissued, and \$7,680,000 of unlimited tax park and recreation bonds that remain authorized but unissued.

The District has the right to issue additional bonds, as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except new money road bonds) to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City of Katy ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination by the City of Katy to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Bonds are to be paid to and credited by 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, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount or Maturity Value, as the case may be, 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. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 securities 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 Certificate 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 a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds 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. All payments to Cede & Co. (or such other nominee

as may be requested by an authorized representative of DTC) are 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 the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, securities are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL MATTERS

Legal Proceedings

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

Legal Review

In its capacity as Bond Counsel, Allen Boone Humphries Robinson LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12," "THE DISTRICT – Authority," "TAXING PROCEDURES," "CONSOLIDATION," "THE BONDS," "LEGAL MATTERS – Legal Proceedings" (to the extent such section relates to the opinion of Bond Counsel) and "– Legal Review," "TAX MATTERS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. 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 issuance of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Preliminary Official Statement.

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 District file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

In the event of the redemption, sale, or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as

otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bond, and should be considered in connection with the discussion in this portion of the Official Statement.)

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

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

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

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as "qualified tax-exempt obligations" and represents 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 2021 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 2021.

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

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

OFFICIAL STATEMENT

Sources of Information

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

Financial Advisor

The GMS Group, L.L.C. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, The GMS Group, L.L.C. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this Official Statement, the District has relied upon the following consultants:

Engineer – The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "DESCRIPTION OF THE SYSTEM," "USE OF BOND PROCEEDS," and certain engineering matters included in "THE DISTRICT – Description and Location," and "THE DISTRICT – Land Uses and Status of Land Development" has been provided by Jones & Carter, Inc., and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector – The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned "DISTRICT TAX DATA," has been provided by the Appraisal Districts and by Tax Tech, Inc., in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor – The financial statements of the District as of May 31, 2020, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, Certified Public Accountants, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's May 31, 2020, audited financial statements.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District's audit report is required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

Certification as to Official Statement

The Board of Directors of the District, acting in its official capacity and in reliance upon the consultants listed above and certain certificates of representation to be provided to the Board, 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 the 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 of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Underwriter.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Fort Bend-Waller Counties Municipal Utility District No. 2 as of the date shown on the cover page.

APPENDIX A

AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED MAY 31, 2020

**FORT BEND – WALLER COUNTIES MUNICIPAL
UTILITY DISTRICT NO. 2**

FORT BEND AND WALLER COUNTIES, TEXAS

FINANCIAL REPORT

May 31, 2020

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McGRATH & CO., PLLC

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

Independent Auditors' Report

Board of Directors
Fort Bend-Waller Counties Municipal Utility District No. 2
Fort Bend and Waller Counties, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend-Waller Counties Municipal Utility District No. 2, as of and for the year ended May 31, 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
Fort Bend-Waller Counties Municipal Utility District No. 2
Fort Bend and Waller Counties, 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 Fort Bend-Waller Counties Municipal Utility District No. 2, as of May 31, 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.

W. G. Galt & Co., P.C.

Houston, Texas
September 24, 2020

Management's Discussion and Analysis

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***Fort Bend-Waller Counties Municipal Utility District No. 2
Management's Discussion and Analysis
May 31, 2020***

Using this Annual Report

Within this section of the financial report of Fort Bend-Waller Counties Municipal Utility District No. 2 (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 May 31, 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.

Fort Bend-Waller Counties Municipal Utility District No. 2
Management's Discussion and Analysis
May 31, 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 May 31, 2020, was negative \$17,260,313. The District's net position is negative because the District incurs debt to construct water, sewer, and certain drainage and road facilities which it conveys to the City of Katy. A comparative summary of the District's overall financial position, as of May 31, 2020 **and 2019**, is as follows:

	2020	2019
Current and other assets	\$ 3,299,882	\$ 2,585,015
Capital assets	10,721,969	7,070,313
Total assets	<u>14,021,851</u>	<u>9,655,328</u>
Current liabilities	421,321	279,833
Long-term liabilities	30,860,843	23,997,422
Total liabilities	<u>31,282,164</u>	<u>24,277,255</u>
Net position		
Net investment in capital assets	(2,952,850)	(1,850,119)
Restricted	1,174,063	995,822
Unrestricted	(15,481,526)	(13,767,630)
Total net position	<u>\$ (17,260,313)</u>	<u>\$ (14,621,927)</u>

Fort Bend-Waller Counties Municipal Utility District No. 2
Management's Discussion and Analysis
May 31, 2020

The total net position of the District decreased during the current fiscal year by \$2,638,386. 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	\$ 1,786,812	\$ 1,378,250
Capital recovery fees	46,749	169,231
Other	24,243	30,550
Total revenues	<u>1,857,804</u>	<u>1,578,031</u>
Expenses		
Operating and administrative	377,688	293,681
Debt interest and fees	726,104	592,995
Developer interest	1,022,690	523,717
Debt issuance costs	603,450	237,360
Depreciation/amortization	40,331	30,137
Total expenses	<u>2,770,263</u>	<u>1,677,890</u>
Change in net position before other item	(912,459)	(99,859)
Other item		
Transfers to other governments	<u>(1,725,927)</u>	<u>(160,000)</u>
Change in net position	(2,638,386)	(259,859)
Net position, beginning of year	<u>(14,621,927)</u>	<u>(14,362,068)</u>
Net position, end of year	<u><u>\$ (17,260,313)</u></u>	<u><u>\$ (14,621,927)</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of May 31, 2020, were \$3,276,573, which consists of \$1,833,219 in the General Fund, \$1,307,091 in the Debt Service Fund and \$136,263 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of May 31, 2020 **and 2019** is as follows:

	2020	2019
Total assets	<u>\$ 1,856,504</u>	<u>\$ 1,381,438</u>
Total liabilities	\$ 23,269	\$ 23,123
Total deferred inflows	16	
Total fund balance	<u>1,833,219</u>	<u>1,358,315</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 1,856,504</u></u>	<u><u>\$ 1,381,438</u></u>

Fort Bend-Waller Counties Municipal Utility District No. 2
Management's Discussion and Analysis
May 31, 2020

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

	2020	2019
Total revenues	\$ 730,671	\$ 616,894
Total expenditures	(255,767)	(398,990)
Revenues over expenditures	<u>\$ 474,904</u>	<u>\$ 217,904</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, which are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and assessed values increased from prior year.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of May 31, 2020 **and 2019** is as follows:

	2020	2019
Total assets	<u>\$ 1,307,115</u>	<u>\$ 1,112,172</u>
Total liabilities	\$ -	\$ 18,661
Total deferred inflows	24	
Total fund balance	<u>1,307,091</u>	<u>1,093,511</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,307,115</u>	<u>\$ 1,112,172</u>

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

	2020	2019
Total revenues	\$ 1,078,912	\$ 959,415
Total expenditures	(865,332)	(595,960)
Revenues over expenditures	<u>\$ 213,580</u>	<u>\$ 363,455</u>

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

Fort Bend-Waller Counties Municipal Utility District No. 2
Management's Discussion and Analysis
May 31, 2020

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of May 31, 2020 **and 2019** is as follows:

	2020	2019
Total assets	<u>\$ 136,263</u>	<u>\$ 91,405</u>
Total liabilities	\$ -	\$ 360
Total fund balance	<u>136,263</u>	<u>91,045</u>
Total liabilities and fund balance	<u>\$ 136,263</u>	<u>\$ 91,405</u>

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2020	2019
Total revenues	\$ 48,181	\$ 1,722
Total expenditures	<u>(6,997,963)</u>	<u>(3,187,852)</u>
Revenues under expenditures	(6,949,782)	(3,186,130)
Other changes in fund balance	<u>6,995,000</u>	<u>3,200,000</u>
Net change in fund balance	<u>\$ 45,218</u>	<u>\$ 13,870</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its \$4,180,000 Series 2019 Unlimited Tax Bonds and \$2,965,000 Series 2019A Unlimited Tax Road Bonds in the current year and the sale of its \$3,200,000 Series 2018 Unlimited Tax Road Bonds in the prior year.

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 \$324,079 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers 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.

Fort Bend-Waller Counties Municipal Utility District No. 2
Management's Discussion and Analysis
May 31, 2020

Capital assets held by the District at May 31, 2020 **and 2019** are summarized as follows:

	2020	2019
Capital assets not being depreciated		
Land and improvements	\$ 9,463,774	\$ 6,196,359
Capital assets being depreciated/amortized		
Connection charges	955,428	955,428
Infrastructure	407,507	
Landscaping improvements	17,065	
	<u>1,380,000</u>	<u>955,428</u>
Less accumulated depreciation/amortization		
Connection charges	(111,611)	(81,474)
Infrastructure	(9,056)	
Landscaping improvements	(1,138)	
	<u>(121,805)</u>	<u>(81,474)</u>
Depreciable capital assets, net	<u>1,258,195</u>	<u>873,954</u>
Capital assets, net	<u>\$ 10,721,969</u>	<u>\$ 7,070,313</u>

Capital asset additions during the current year include the following:

- West Ten Business Park – Northeast detention basin
- West Ten 4-B – landscaping
- Land acquisitions for Tract 6 detention basin, flood plain mitigation and wetlands mitigation.

The District and the City of Katy (the “City”) have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage and road facilities to serve the District and, when completed, to convey title to the facilities to the City. Detention facilities and certain other capital assets are retained by the District. For the year ended May 31, 2020, capital assets in the amount of \$1,725,927 have been completed and 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 May 31, 2020, the District owes \$7,960,180 to its developers for completed projects and operating advances. 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 developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developers are reimbursed.

Fort Bend-Waller Counties Municipal Utility District No. 2
Management's Discussion and Analysis
May 31, 2020

At May 31, 2020 **and 2019**, the District had total bonded debt outstanding as shown below:

Series	2020	2019
2016	\$ 3,725,000	\$ 3,800,000
2016A Road	3,035,000	3,100,000
2017	3,220,000	3,220,000
2017A Road	3,000,000	3,000,000
2018 Road	3,200,000	3,200,000
2019	4,180,000	
2019A Road	2,965,000	
	<u>\$ 23,325,000</u>	<u>\$ 16,320,000</u>

During the current year, the District issued \$4,180,000 in unlimited tax bonds and \$2,965,000 in unlimited tax road bonds. At May 31, 2020, the District had \$29,375,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$7,680,000 for parks and recreational facilities and the refunding of such bonds; and \$4,520,000 for road improvements and the refunding of such bonds.

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	\$ 730,671	\$ 475,000
Total expenditures	(255,767)	(292,615)
Revenues over expenditures	474,904	182,385
Beginning fund balance	1,358,315	1,833,219
Ending fund balance	<u>\$ 1,833,219</u>	<u>\$ 2,015,604</u>

Property Taxes

The District's property tax base increased approximately \$112,891,000 for the 2020 tax year from \$224,141,140 to \$337,032,096. This increase was primarily due to increased property values. For the 2020 tax year, the District will levy a maintenance tax rate of \$0.37 per \$100 of value; a water, sewer, and drainage debt service tax rate of \$0.20 per \$100 of assessed value; and a road debt service tax rate of \$0.23 per \$100 of assessed value, for a total combined tax rate of \$0.80 per \$100. Tax rates for the 2019 tax year were \$0.32 per \$100 for maintenance and operations, \$0.26 per \$100 for water, sewer, and drainage debt service and \$0.22 per \$100 for road debt service, for a combined total of \$0.80 per \$100 of assessed value.

***Fort Bend-Waller Counties Municipal Utility District No. 2
Management's Discussion and Analysis
May 31, 2020***

Infectious Disease Outlook (COVID-19)

As further discussed in Note 13, the World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory virus currently affecting many parts of the world, including the United States and Texas. The pandemic has negatively affected the economic growth and financial markets worldwide and within Texas. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak could have an adverse effect on the District's operations and financial condition by negatively affecting property taxes and ad valorem tax revenues within the District.

Basic Financial Statements

Fort Bend-Waller Counties Municipal Utility District No. 2
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 993,289	\$ 932,518	\$ 104,079	\$ 2,029,886	\$ -	\$ 2,029,886
Investments	891,215	375,573		1,266,788		1,266,788
Taxes receivable	16	24		40		40
Internal balances	(31,184)	(1,000)	32,184			
Prepaid items	3,168			3,168		3,168
Capital assets not being depreciated					9,463,774	9,463,774
Capital assets, net					1,258,195	1,258,195
Total Assets	<u>\$ 1,856,504</u>	<u>\$ 1,307,115</u>	<u>\$ 136,263</u>	<u>\$ 3,299,882</u>	<u>10,721,969</u>	<u>14,021,851</u>
Liabilities						
Accounts payable	\$ 11,983	\$ -	\$ -	\$ 11,983		11,983
Other payables	11,286			11,286		11,286
Accrued interest payable					133,052	133,052
Due to developers					7,960,180	7,960,180
Long-term debt						
Due within one year					265,000	265,000
Due after one year					22,900,663	22,900,663
Total Liabilities	<u>23,269</u>			<u>23,269</u>	<u>31,258,895</u>	<u>31,282,164</u>
Deferred Inflows of Resources						
Deferred property taxes	<u>16</u>	<u>24</u>		<u>40</u>	<u>(40)</u>	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	3,168			3,168	(3,168)	
Restricted		1,307,091	136,263	1,443,354	(1,443,354)	
Unassigned	1,830,051			1,830,051	(1,830,051)	
Total Fund Balances	<u>1,833,219</u>	<u>1,307,091</u>	<u>136,263</u>	<u>3,276,573</u>	<u>(3,276,573)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,856,504</u>	<u>\$ 1,307,115</u>	<u>\$ 136,263</u>	<u>\$ 3,299,882</u>		
Net Position						
Net investment in capital assets					(2,952,850)	(2,952,850)
Restricted for debt service					1,174,063	1,174,063
Unrestricted					(15,481,526)	(15,481,526)
Total Net Position					<u>\$(17,260,313)</u>	<u>\$(17,260,313)</u>

See notes to basic financial statements.

Fort Bend-Waller Counties Municipal Utility District No. 2
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended May 31, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 715,732	\$ 1,068,242	\$ -	\$ 1,783,974	\$ 40	\$ 1,784,014
Penalties and interest		2,798		2,798		2,798
Capital recovery fees			46,749	46,749		46,749
Investment earnings	14,939	7,872	1,432	24,243		24,243
Total Revenues	730,671	1,078,912	48,181	1,857,764	40	1,857,804
Expenditures/Expenses						
Operating and administrative						
Professional fees	97,265		80,841	178,106		178,106
Contracted services	9,580	39,648		49,228		49,228
Repairs and maintenance	126,268			126,268		126,268
Administrative	22,654	1,317	115	24,086		24,086
Capital outlay			5,290,867	5,290,867	(5,290,867)	
Debt service						
Principal		140,000		140,000	(140,000)	
Interest and fees		684,367		684,367	41,737	726,104
Developer interest			1,022,690	1,022,690		1,022,690
Debt issuance costs			603,450	603,450		603,450
Depreciation/ amortization					40,331	40,331
Total Expenditures/Expenses	255,767	865,332	6,997,963	8,119,062	(5,348,799)	2,770,263
Revenues Over/(Under)						
Expenditures/Expenses	474,904	213,580	(6,949,782)	(6,261,298)	5,348,839	(912,459)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds			7,145,000	7,145,000	(7,145,000)	
Repayment of developer advances			(150,000)	(150,000)	150,000	
Other Item						
Transfers to other governments					(1,725,927)	(1,725,927)
Net Change in Fund Balances	474,904	213,580	45,218	733,702	(733,702)	
Change in Net Position					(2,638,386)	(2,638,386)
Fund Balance/Net Position						
Beginning of the year	1,358,315	1,093,511	91,045	2,542,871	(17,164,798)	(14,621,927)
End of the year	<u>\$ 1,833,219</u>	<u>\$ 1,307,091</u>	<u>\$ 136,263</u>	<u>\$ 3,276,573</u>	<u>\$ (20,536,886)</u>	<u>\$ (17,260,313)</u>

See notes to basic financial statements.

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Fort Bend-Waller Counties Municipal Utility District No. 2
Notes to Basic Financial Statements
May 31, 2020

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend-Waller Counties Municipal Utility District No. 2 (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 act of the 81st Texas Legislative Regular session, codified as Chapter 8329, Special District Local Laws Code, effective June 19, 2009. The District was organized pursuant to Section 59, Article XVI and Section 52, Article III of the Texas Constitution, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on July 22, 2009 and the first bonds were issued on May 12, 2016.

The District’s primary activities include construction, maintenance, and operation of water, sewer and drainage, road and park facilities. As further discussed in Note 10, the District transfers the water, sewer, drainage (excluding detention facilities), and road facilities to the City of Katy for operation and maintenance 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 three governmental funds, which are all 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 source of revenue is property taxes. 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. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, drainage, parks and recreational facilities and road improvements.

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 and interest earned on investments. 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.

Fort Bend-Waller Counties Municipal Utility District No. 2
Notes to Basic Financial Statements
May 31, 2020

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.

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 May 31, 2020, an allowance for uncollectible accounts was not considered necessary.

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.

Depreciable capital assets, which primarily consist of connection charges paid to the City of Katy and drainage facilities, are depreciated/amortized using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Connection charges	Remaining life of contract
Infrastructure	45 years
Landscaping improvements	15 years

The District's detention facilities and drainage channels 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.

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 unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

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.

Fort Bend-Waller Counties Municipal Utility District No. 2
Notes to Basic Financial Statements
May 31, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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 developers; the value of capital assets transferred to the City of Katy and the value of capital assets for which the developers have 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.

Fort Bend-Waller Counties Municipal Utility District No. 2
Notes to Basic Financial Statements
May 31, 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	\$ 3,276,573
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

Historical cost	\$ 10,843,774	
Less accumulated depreciation/amortization	<u>(121,805)</u>	
Change due to capital assets		10,721,969

Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .	(7,960,180)
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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	(23,165,663)	
Interest payable on bonds	<u>(133,052)</u>	
Change due to long-term debt		(23,298,715)

Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.	40
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Total net position - governmental activities	<u><u>\$ (17,260,313)</u></u>
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Fort Bend-Waller Counties Municipal Utility District No. 2
Notes to Basic Financial Statements
May 31, 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 - governmental funds	\$	733,702
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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.		40
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Governmental funds report capital outlays for developer reimbursements in the funds; however, in the *Statement of Activities*, connection charges paid to the City of Katy are capitalized and charged to expense over the remaining life of the contract. Other assets are recorded as transfers to other governments.

Capital outlays	\$ 5,290,867		
Transfers to other governments	(1,725,927)		
Depreciation/amortization expense	(40,331)		
			3,524,609

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.

Issuance of long term debt	(7,145,000)		
Principal payments	140,000		
Interest expense accrual	(41,737)		
			(7,046,737)

Amounts repaid to the District's developers for operating advances use financial resources at the fund level, but reduce the liability in the <i>Statement of Net Position</i> .		150,000
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Change in net position of governmental activities	\$	(2,638,386)
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Fort Bend-Waller Counties Municipal Utility District No. 2
Notes to Basic Financial Statements
May 31, 2020

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) 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.

As of May 31, 2020, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 891,215	AAAm	36 days
	Debt Service	375,573		
		<u>\$ 1,266,788</u>		

Fort Bend-Waller Counties Municipal Utility District No. 2
Notes to Basic Financial Statements
May 31, 2020

Note 3 – Deposits and Investments (continued)

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.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at May 31, 2020, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 1,000	Fiscal agent fees paid by the General Fund
General Fund	Capital Projects Fund	14,565	Bond application fees paid by the General Fund
Capital Projects Fund	General Fund	46,749	Capital recovery fees received by the General Fund

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

Fort Bend-Waller Counties Municipal Utility District No. 2
Notes to Basic Financial Statements
May 31, 2020

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended May 31, 2020, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 6,196,359	\$ 3,267,415	\$ 9,463,774
Capital assets being depreciated/amortized			
Connection charges	955,428		955,428
Infrastructure		407,507	407,507
Landscaping improvements		17,065	17,065
	955,428	424,572	1,380,000
Less accumulated depreciation/amortization			
Connection charges	(81,474)	(30,137)	(111,611)
Infrastructure		(9,056)	(9,056)
Landscaping improvements		(1,138)	(1,138)
	(81,474)	(40,331)	(121,805)
Subtotal depreciable capital assets, net	873,954	384,241	1,258,195
Capital assets, net	\$ 7,070,313	\$ 3,651,656	\$ 10,721,969

Depreciation/amortization expense for the current year was \$40,331.

Note 6 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, parks and recreational facilities and road improvements. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers 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 developers are reimbursed.

The District's developers have also advanced funds to the District for operating expenses.

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

Due to developers, beginning of year	\$ 7,983,133
Developer reimbursements	(5,290,867)
Repayment of operating advances	(150,000)
Developer funded construction and adjustments	5,417,914
Due to developers, end of year	<u>\$ 7,960,180</u>

Fort Bend-Waller Counties Municipal Utility District No. 2
Notes to Basic Financial Statements
May 31, 2020

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 23,325,000
Unamortized discounts	(159,337)
	<u>\$ 23,165,663</u>
Due within one year	<u>\$ 265,000</u>

The District's bonds payable at May 31, 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
2016	\$ 3,725,000	\$ 3,800,000	2.00% - 4.00%	April 1, 2020/2045	October 1, April 1,	April 1, 2021
2016A Road	3,035,000	3,100,000	2.00% - 3.50%	April 1, 2020/2045	October 1, April 1,	April 1, 2021
2017	3,220,000	3,220,000	2.10% - 4.00%	April 1, 2021/2045	October 1, April 1,	April 1, 2022
2017A Road	3,000,000	3,000,000	2.00% - 4.00%	April 1, 2021/2045	October 1, April 1,	April 1, 2023
2018 Road	3,200,000	3,200,000	3.00% - 4.00%	April 1, 2022/2046	October 1, April 1,	April 1, 2023
2019	4,180,000	4,180,000	2.00% - 3.375%	April 1, 2022/2046	October 1, April 1,	April 1, 2024
2019A Road	2,965,000	2,965,000	2.00% - 3.25%	April 1, 2022/2046	October 1, April 1,	April 1, 2025
	<u>\$ 23,325,000</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 May 31, 2020, the District had authorized but unissued bonds in the amount of \$29,375,000 for water, sewer and drainage facilities and the refunding of such bonds; \$7,680,000 for park and recreational facilities and the refunding of such bonds; and \$4,520,000 for road improvements and the refunding of such bonds.

Fort Bend-Waller Counties Municipal Utility District No. 2
Notes to Basic Financial Statements
May 31, 2020

Note 7 – Long-Term Debt (continued)

On September 26, 2019, the District issued its \$4,180,000 Series 2019 Unlimited Tax Bonds at a net effective interest rate of 3.320733%. Proceeds of the bonds were used (1) to reimburse developers for the following: the construction of capital assets within the District; engineering and other costs associated with the construction of capital assets; the acquisition of land for certain District facilities; and operating advances; and (2) to pay developer interest at the net effective interest rate of the bonds.

On November 26, 2019, the District issued its \$2,965,000 Series 2019A Unlimited Tax Road Bonds at a net effective interest rate of 3.266627%. Proceeds of the bonds were used (1) to reimburse developers for the following: the construction of capital assets within the District; engineering and other costs associated with the construction of capital assets; the acquisition of land for certain District facilities; and (2) to pay developer interest at the net effective interest rate of the bonds.

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

Bonds payable, beginning of year	\$ 16,320,000
Bonds issued	7,145,000
Bonds retired	<u>(140,000)</u>
Bonds payable, end of year	<u>\$ 23,325,000</u>

Fort Bend-Waller Counties Municipal Utility District No. 2
Notes to Basic Financial Statements
May 31, 2020

Note 7 – Long-Term Debt (continued)

As of May 31, 2020, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2021	\$ 265,000	\$ 798,315	\$ 1,063,315
2022	450,000	792,945	1,242,945
2023	450,000	782,382	1,232,382
2024	555,000	771,431	1,326,431
2025	585,000	756,706	1,341,706
2026	610,000	740,477	1,350,477
2027	665,000	722,989	1,387,989
2028	695,000	703,220	1,398,220
2029	750,000	681,745	1,431,745
2030	780,000	658,021	1,438,021
2031	780,000	632,971	1,412,971
2032	860,000	607,163	1,467,163
2033	890,000	578,100	1,468,100
2034	945,000	547,518	1,492,518
2035	950,000	514,928	1,464,928
2036	1,005,000	481,713	1,486,713
2037	1,060,000	446,077	1,506,077
2038	1,095,000	407,788	1,502,788
2039	1,150,000	367,776	1,517,776
2040	1,230,000	325,369	1,555,369
2041	1,265,000	279,788	1,544,788
2042	1,295,000	232,856	1,527,856
2043	1,375,000	184,719	1,559,719
2044	1,410,000	133,469	1,543,469
2045	1,515,000	80,869	1,595,869
2046	695,000	24,437	719,437
	<u>\$ 23,325,000</u>	<u>\$ 13,253,772</u>	<u>\$ 36,578,772</u>

Note 8 – Property Taxes

On November 3, 2009, 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 for water, sewer, drainage and recreational facilities and \$0.25 per \$100 of assessed values for roads. 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.

Fort Bend-Waller Counties Municipal Utility District No. 2
Notes to Basic Financial Statements
May 31, 2020

Note 8 – Property Taxes (continued)

All property values and exempt status, if any, are determined by the Fort Bend Central Appraisal District and Waller 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.

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 \$0.80 per \$100 of assessed value, of which \$0.32 was allocated to maintenance and operations, \$0.26 was allocated to water, sewer, and drainage debt service and \$0.22 was allocated to road debt service. The resulting tax levy was \$1,793,129 on the adjusted taxable value of \$224,141,140.

Note 9 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Katy (the "City"), the District transfers all of its water, sewer, drainage (excluding storm water detention) and road 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*. For the year ended May 31, 2020, the total amount of projects completed and transferred to the City was \$1,725,927.

Note 10 – Utility Agreement with the City of Katy

On September 22, 2008, as amended July 23, 2012 and January 27, 2014, the developer entered into a utility agreement with the City of Katy (the "City") on behalf of the District for the construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities to serve the District. This agreement was assigned to the District by the developer on August 27, 2009. As the system is acquired or constructed, the District shall transfer the system, excluding storm water detention facilities, to the City, but will reserve a security interest in the system and provide service to all users in the District. The term of the agreement is 40 years.

Water and sewer rates charged by the City to users in the District, shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

The City is obligated to pay the District annually a portion of the ad valorem taxes collected by the City on property within the District after deducting the costs of collection. The annual payment shall begin on February 1 in the calendar year following the calendar year for which the District initially receives tax rolls from Fort Bend Central Appraisal District and the Waller County Appraisal District.

Other stipulations require the District to pay capital recovery fees to the City for any connections previously reserved and additional connections estimated by the City necessary to serve any portion District. The District is to pay the City capital recovery fees within ten days of the District receiving proceeds from future bond sales.

Fort Bend-Waller Counties Municipal Utility District No. 2
Notes to Basic Financial Statements
May 31, 2020

Note 11 – Capital Recovery Fees

On May 7, 2020, the District entered into a drainage agreement with Rothchild Freedom, LLC (“Landowner”) to provide floodplain mitigation and detention to a 0.596-acre tract of land located outside of the boundaries of the District. Pursuant to the agreement, the District received \$46,749 from the Landowner, based on construction costs and projected maintenance costs of the facilities necessary to serve the Landowner’s tract.

Note 12 – 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 13 – 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. 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” orders. 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 the Pandemic on the District cannot be quantified at this time, the continued outbreak of the Pandemic could have an adverse effect on the District’s operations and financial condition.

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Required Supplementary Information

Fort Bend-Waller Counties Municipal Utility District No. 2
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended May 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 388,000	\$ 715,732	\$ 327,732
Investment earnings	10,000	14,939	4,939
Total Revenues	398,000	730,671	332,671
Expenditures			
Operating and administrative			
Professional fees	120,000	97,265	22,735
Contracted services	10,000	9,580	420
Repairs and maintenance	91,575	126,268	(34,693)
Administrative	25,600	22,654	2,946
Total Expenditures	247,175	255,767	(8,592)
Revenues Over Expenditures	150,825	474,904	324,079
Fund Balance			
Beginning of the year	1,358,315	1,358,315	
End of the year	\$ 1,509,140	\$ 1,833,219	\$ 324,079

Fort Bend-Waller Counties Municipal Utility District No. 2
Notes to Required Supplementary Information
May 31, 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

Fort Bend-Waller Counties Municipal Utility District No. 2
TSI-1. Services and Rates
May 31, 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 checked="" 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
<input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)			
<input type="checkbox"/> Other (Specify): _____			

2. Retail Service Providers

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

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
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:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
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.

Fort Bend-Waller Counties Municipal Utility District No. 2
TSI-1. Services and Rates
May 31, 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: Fort Bend and Waller Counties

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

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

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.

Fort Bend-Waller Counties Municipal Utility District No. 2
TSI-2 General Fund Expenditures
For the Year Ended May 31, 2020

Professional fees	
Legal	\$ 66,217
Audit	10,000
Engineering	21,048
	<u>97,265</u>
Contracted services	
Bookkeeping	<u>9,580</u>
Repairs and maintenance	<u>126,268</u>
Administrative	
Directors fees	9,450
Printing and office supplies	932
Insurance	3,168
Other	9,104
	<u>22,654</u>
Total expenditures	<u><u>\$ 255,767</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	N/A	N/A
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Fort Bend-Waller Counties Municipal Utility District No. 2
TSI-3. Investments
May 31, 2020

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	<u>\$ 891,215</u>
Debt Service			
TexPool	Variable	N/A	188,852
TexPool - Road	Variable	N/A	<u>186,721</u>
			<u>375,573</u>
Total - All Funds			<u><u>\$ 1,266,788</u></u>

See accompanying auditors' report.

Fort Bend-Waller Counties Municipal Utility District No. 2

TSI-4. Taxes Levied and Receivable

May 31, 2020

	Maintenance Taxes	Road Debt Service Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ -	\$ -	\$ -	\$ -
2019 Original Tax Levy	722,337	586,899	496,607	1,805,843
Adjustments	(5,086)	(4,132)	(3,496)	(12,714)
Adjusted Tax Levy	717,251	582,767	493,111	1,793,129
Total to be accounted for	717,251	582,767	493,111	1,793,129
Tax collections:				
Current year	717,235	582,754	493,100	1,793,089
Taxes Receivable, End of Year	\$ 16	\$ 13	\$ 11	\$ 40
Taxes Receivable, By Years				
2019	\$ 16	\$ 13	\$ 11	\$ 40
	2019	2018	2017	2016
Property Valuations:				
Land	\$ 65,701,286	\$ 65,284,524	\$ 57,724,280	\$ 43,752,817
Improvements	122,855,054	74,402,564	48,681,100	41,800,470
Personal Property	70,448,115	45,804,702	38,979,504	26,537,120
Exemptions	(34,863,315)	(14,005,496)	(13,578,344)	(11,188,348)
Total Property Valuations	\$ 224,141,140	\$ 171,486,294	\$ 131,806,540	\$ 100,902,059
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.32	\$ 0.25	\$ 0.25	\$ 0.53
Road debt service tax rates	0.22	0.30	0.25	0.12
WSD debt service tax rates	0.26	0.25	0.30	0.15
Total Tax Rates per \$100 Valuation	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80
Adjusted Tax Levy:	\$ 1,793,129	\$ 1,371,890	\$ 1,054,452	\$ 807,216
Percentage of Taxes Collected to Taxes Levied **	99.99%	100.00%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.00 on November 3, 2009

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on November 3, 2009

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

See accompanying auditors' report.

Fort Bend-Waller Counties Municipal Utility District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
May 31, 2020

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2021	\$ 75,000	\$ 137,281	\$ 212,281
2022	75,000	135,781	210,781
2023	75,000	133,531	208,531
2024	100,000	131,281	231,281
2025	100,000	128,281	228,281
2026	100,000	125,281	225,281
2027	100,000	122,156	222,156
2028	100,000	118,906	218,906
2029	125,000	115,531	240,531
2030	125,000	111,157	236,157
2031	125,000	106,782	231,782
2032	125,000	102,406	227,406
2033	150,000	97,875	247,875
2034	150,000	92,438	242,438
2035	150,000	86,813	236,813
2036	150,000	81,188	231,188
2037	175,000	75,563	250,563
2038	175,000	69,000	244,000
2039	175,000	62,000	237,000
2040	225,000	55,000	280,000
2041	225,000	46,000	271,000
2042	225,000	37,000	262,000
2043	225,000	28,000	253,000
2044	225,000	19,000	244,000
2045	250,000	10,000	260,000
	<u>\$ 3,725,000</u>	<u>\$ 2,228,251</u>	<u>\$ 5,953,251</u>

See accompanying auditors' report.

Fort Bend-Waller Counties Municipal Utility District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2016A Road--by Years
May 31, 2020

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2021	\$ 70,000	\$ 98,013	\$ 168,013
2022	75,000	96,613	171,613
2023	75,000	95,113	170,113
2024	80,000	93,613	173,613
2025	85,000	91,213	176,213
2026	85,000	88,663	173,663
2027	90,000	86,113	176,113
2028	95,000	83,413	178,413
2029	100,000	80,563	180,563
2030	105,000	77,563	182,563
2031	105,000	74,413	179,413
2032	110,000	71,131	181,131
2033	115,000	67,694	182,694
2034	120,000	63,956	183,956
2035	125,000	60,052	185,052
2036	130,000	55,838	185,838
2037	135,000	51,450	186,450
2038	145,000	46,725	191,725
2039	150,000	41,650	191,650
2040	155,000	36,400	191,400
2041	165,000	30,975	195,975
2042	170,000	25,200	195,200
2043	175,000	19,250	194,250
2044	185,000	13,125	198,125
2045	190,000	6,650	196,650
	<u>\$ 3,035,000</u>	<u>\$ 1,555,389</u>	<u>\$ 4,590,389</u>

See accompanying auditors' report.

Fort Bend-Waller Counties Municipal Utility District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
May 31, 2020

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2021	\$ 70,000	\$ 115,196	\$ 185,196
2022	75,000	113,726	188,726
2023	75,000	112,038	187,038
2024	75,000	110,162	185,162
2025	75,000	108,100	183,100
2026	100,000	105,926	205,926
2027	100,000	102,926	202,926
2028	100,000	99,726	199,726
2029	100,000	96,426	196,426
2030	100,000	93,026	193,026
2031	100,000	89,626	189,626
2032	125,000	86,126	211,126
2033	125,000	81,750	206,750
2034	125,000	77,218	202,218
2035	125,000	72,688	197,688
2036	150,000	68,156	218,156
2037	150,000	62,532	212,532
2038	175,000	56,906	231,906
2039	175,000	50,344	225,344
2040	175,000	43,562	218,562
2041	175,000	36,782	211,782
2042	175,000	30,000	205,000
2043	175,000	23,000	198,000
2044	200,000	16,000	216,000
2045	200,000	8,000	208,000
	<u>\$ 3,220,000</u>	<u>\$ 1,859,942</u>	<u>\$ 5,079,942</u>

See accompanying auditors' report.

Fort Bend-Waller Counties Municipal Utility District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2017A Road--by Years
May 31, 2020

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2021	\$ 50,000	\$ 110,438	\$ 160,438
2022	50,000	109,438	159,438
2023	50,000	108,313	158,313
2024	75,000	107,063	182,063
2025	75,000	105,000	180,000
2026	75,000	102,750	177,750
2027	100,000	100,500	200,500
2028	100,000	97,375	197,375
2029	100,000	94,125	194,125
2030	100,000	90,750	190,750
2031	100,000	87,250	187,250
2032	125,000	83,750	208,750
2033	125,000	79,219	204,219
2034	125,000	74,531	199,531
2035	125,000	69,844	194,844
2036	125,000	65,000	190,000
2037	150,000	60,000	210,000
2038	150,000	54,000	204,000
2039	150,000	48,000	198,000
2040	150,000	42,000	192,000
2041	175,000	36,000	211,000
2042	175,000	29,000	204,000
2043	175,000	22,000	197,000
2044	175,000	15,000	190,000
2045	200,000	8,000	208,000
	<u>\$ 3,000,000</u>	<u>\$ 1,799,346</u>	<u>\$ 4,799,346</u>

See accompanying auditors' report.

Fort Bend-Waller Counties Municipal Utility District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2018 Road--by Years
May 31, 2020

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2021	\$ -	\$ 122,406	\$ 122,406
2022	50,000	122,406	172,406
2023	50,000	120,906	170,906
2024	50,000	119,406	169,406
2025	75,000	117,906	192,906
2026	75,000	115,563	190,563
2027	75,000	113,125	188,125
2028	100,000	110,594	210,594
2029	100,000	107,094	207,094
2030	100,000	103,594	203,594
2031	100,000	99,969	199,969
2032	125,000	96,219	221,219
2033	125,000	91,531	216,531
2034	125,000	86,844	211,844
2035	125,000	82,000	207,000
2036	150,000	77,000	227,000
2037	150,000	71,000	221,000
2038	150,000	65,000	215,000
2039	150,000	59,000	209,000
2040	175,000	53,000	228,000
2041	175,000	46,000	221,000
2042	175,000	39,000	214,000
2043	200,000	32,000	232,000
2044	200,000	24,000	224,000
2045	200,000	16,000	216,000
2046	200,000	8,000	208,000
	<u>\$ 3,200,000</u>	<u>\$ 2,099,563</u>	<u>\$ 5,299,563</u>

See accompanying auditors' report.

Fort Bend-Waller Counties Municipal Utility District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
May 31, 2020

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2021	\$ -	\$ 126,531	\$ 126,531
2022	75,000	126,531	201,531
2023	75,000	125,031	200,031
2024	100,000	123,456	223,456
2025	100,000	121,256	221,256
2026	100,000	118,956	218,956
2027	125,000	116,556	241,556
2028	125,000	113,431	238,431
2029	125,000	110,181	235,181
2030	150,000	106,806	256,806
2031	150,000	102,606	252,606
2032	150,000	98,106	248,106
2033	150,000	93,606	243,606
2034	175,000	89,106	264,106
2035	175,000	83,856	258,856
2036	175,000	78,606	253,606
2037	175,000	73,357	248,357
2038	175,000	67,888	242,888
2039	200,000	62,419	262,419
2040	200,000	55,919	255,919
2041	200,000	49,419	249,419
2042	225,000	42,919	267,919
2043	250,000	35,607	285,607
2044	250,000	27,169	277,169
2045	275,000	18,732	293,732
2046	280,000	9,450	289,450
	<u>\$ 4,180,000</u>	<u>\$ 2,177,500</u>	<u>\$ 6,357,500</u>

See accompanying auditors' report.

Fort Bend-Waller Counties Municipal Utility District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2019A Road--by Years
May 31, 2020

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2021	\$ -	\$ 88,450	\$ 88,450
2022	50,000	88,450	138,450
2023	50,000	87,450	137,450
2024	75,000	86,450	161,450
2025	75,000	84,950	159,950
2026	75,000	83,338	158,338
2027	75,000	81,613	156,613
2028	75,000	79,775	154,775
2029	100,000	77,825	177,825
2030	100,000	75,125	175,125
2031	100,000	72,325	172,325
2032	100,000	69,425	169,425
2033	100,000	66,425	166,425
2034	125,000	63,425	188,425
2035	125,000	59,675	184,675
2036	125,000	55,925	180,925
2037	125,000	52,175	177,175
2038	125,000	48,269	173,269
2039	150,000	44,363	194,363
2040	150,000	39,488	189,488
2041	150,000	34,612	184,612
2042	150,000	29,737	179,737
2043	175,000	24,862	199,862
2044	175,000	19,175	194,175
2045	200,000	13,487	213,487
2046	215,000	6,987	221,987
	<u>\$ 2,965,000</u>	<u>\$ 1,533,781</u>	<u>\$ 4,498,781</u>

See accompanying auditors' report.

Fort Bend-Waller Counties Municipal Utility District No. 2
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
May 31, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due April 1</u>	<u>Interest Due October 1, April 1</u>	<u>Total</u>
2021	\$ 265,000	\$ 798,315	\$ 1,063,315
2022	450,000	792,945	1,242,945
2023	450,000	782,382	1,232,382
2024	555,000	771,431	1,326,431
2025	585,000	756,706	1,341,706
2026	610,000	740,477	1,350,477
2027	665,000	722,989	1,387,989
2028	695,000	703,220	1,398,220
2029	750,000	681,745	1,431,745
2030	780,000	658,021	1,438,021
2031	780,000	632,971	1,412,971
2032	860,000	607,163	1,467,163
2033	890,000	578,100	1,468,100
2034	945,000	547,518	1,492,518
2035	950,000	514,928	1,464,928
2036	1,005,000	481,713	1,486,713
2037	1,060,000	446,077	1,506,077
2038	1,095,000	407,788	1,502,788
2039	1,150,000	367,776	1,517,776
2040	1,230,000	325,369	1,555,369
2041	1,265,000	279,788	1,544,788
2042	1,295,000	232,856	1,527,856
2043	1,375,000	184,719	1,559,719
2044	1,410,000	133,469	1,543,469
2045	1,515,000	80,869	1,595,869
2046	695,000	24,437	719,437
	<u>\$ 23,325,000</u>	<u>\$ 13,253,772</u>	<u>\$ 36,578,772</u>

See accompanying auditors' report.

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Fort Bend-Waller Counties Municipal Utility District No. 2
TSI-6. Change in Long-Term Bonded Debt
May 31, 2020

	Bond Issue			
	Series 2016	Series 2016A Road	Series 2017	Series 2017A Road
Interest rate	2.00% - 4.00%	2.00% - 3.50%	2.10% - 4.00%	2.00% - 4.00%
Dates interest payable	10/1; 4/1	10/1; 4/1	10/1; 4/1	10/1; 4/1
Maturity dates	4/1/20 - 4/1/45	4/1/20 - 4/1/45	4/1/21 - 4/1/45	4/1/21 - 4/1/45
Beginning bonds outstanding	\$ 3,800,000	\$ 3,100,000	\$ 3,220,000	\$ 3,000,000
Bonds issued				
Bonds retired	(75,000)	(65,000)		
Ending bonds outstanding	<u>\$ 3,725,000</u>	<u>\$ 3,035,000</u>	<u>\$ 3,220,000</u>	<u>\$ 3,000,000</u>
Interest paid during fiscal year	<u>\$ 138,781</u>	<u>\$ 99,313</u>	<u>\$ 115,196</u>	<u>\$ 110,438</u>
Paying agent's name and city				
Series 2019 and 2019A Road	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas			
All other series	Amegy Bank, a division of ZB, N.A., Houston, Texas			
Bond Authority:	Water, Sanitary Sewer, and Storm Water Facilities	Road Facilities	Parks and Recreation Facilities	
Amount Authorized by Voters	\$ 40,575,000	\$ 16,785,000	\$ 7,680,000	
Amount Issued	(11,200,000)	(12,265,000)		
Remaining To Be Issued	<u>\$ 29,375,000</u>	<u>\$ 4,520,000</u>	<u>\$ 7,680,000</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 May 31, 2020: \$ 1,308,091

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,406,876

See accompanying auditors' report.

Bond Issue			
Series 2018		Series 2019A	
Road	Series 2019	Road	Totals
3.00% - 4.00%	2.00% - 3.375%	2.00% - 3.25%	
10/1; 4/1	10/1; 4/1	10/1; 4/1	
4/1/22 - 4/1/46	4/1/22 - 4/1/46	4/1/22 - 4/1/46	
\$ 3,200,000	\$ -	\$ -	\$ 16,320,000
	4,180,000	2,965,000	7,145,000
			(140,000)
<u>\$ 3,200,000</u>	<u>\$ 4,180,000</u>	<u>\$ 2,965,000</u>	<u>\$ 23,325,000</u>
<u>\$ 122,406</u>	<u>\$ 73,810</u>	<u>\$ 36,854</u>	<u>\$ 696,798</u>

Fort Bend-Waller Counties Municipal Utility District No. 2
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Property taxes	\$ 715,732	\$ 429,173	\$ 330,909	\$ 584,328	\$ 610,643
Capital recovery fees		169,231			
Investment earnings	14,939	18,490	2,914	742	272
Total Revenues	730,671	616,894	333,823	585,070	610,915
Expenditures					
Operating and administrative					
Professional fees	97,265	85,503	69,496	85,917	73,373
Contracted services	9,580	9,580	9,400	23,368	24,822
Repairs and maintenance	126,268	119,738	87,207	113,858	53,006
Administrative	22,654	14,938	13,469	12,300	11,459
Capital outlay		139,399			
Debt service					
Developer interest		29,832			
Total Expenditures	255,767	398,990	179,572	235,443	162,660
Revenues Over Expenditures	\$ 474,904	\$ 217,904	\$ 154,251	\$ 349,627	\$ 448,255

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
98%	70%	99%	100%	100%
	27%			
2%	3%	1%	*	*
100%	100%	100%	100%	100%
13%	14%	21%	15%	12%
1%	2%	3%	4%	4%
17%	19%	26%	19%	9%
3%	2%	4%	2%	2%
	23%			
	5%			
34%	65%	54%	40%	27%
66%	35%	46%	60%	73%

Fort Bend-Waller Counties Municipal Utility District No. 2

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

For the Last Five Fiscal Years

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Property taxes	\$ 1,068,242	\$ 946,554	\$ 728,000	\$ 272,259	\$ 4,241
Penalties and interest	2,798	2,523	5,164	3,248	
Accrued interest on bonds sold				5,793	
Investment earnings	7,872	10,338	1,961	302	
Total Revenues	1,078,912	959,415	735,125	281,602	4,241
Expenditures					
Tax collection services	39,648	28,753	25,564	7,396	
Administrative	1,317	986	1,047	407	18
Debt service					
Principal	140,000				
Interest and fees	684,367	566,221	361,125	185,648	500
Total Expenditures	865,332	595,960	387,736	193,451	518
Revenues Over Expenditures	\$ 213,580	\$ 363,455	\$ 347,389	\$ 88,151	\$ 3,723

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
99%	99%	99%	97%	100%
*	*	1%	1%	
			2%	
1%	1%	*	*	
100%	100%	100%	100%	100%
4%	3%	3%	3%	
*	*	*	*	*
13%				
63%	59%	49%	66%	12%
80%	62%	52%	69%	12%
20%	38%	48%	31%	88%

Fort Bend-Waller Counties Municipal Utility District No. 2
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 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 8, 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				
Suzanne Corbin	05/20 - 05/24 (Elected)	\$ 2,700	\$ 1,969	President
Gary Whitt	05/18 - 05/22 (Appointed)	1,350	53	Vice President
Carolyn Davis	05/18 - 05/22 (Elected)	2,100	1,151	Secretary
Sharon Wallingford	05/20 - 05/24 (Elected)	1,800	1,264	Assistant Secretary
David Montgomery	05/20 - 05/24 (Elected)	1,500		Assistant Vice President
Consultants				
Allen Boone Humphries Robinson LLP	2009	<u>Amounts Paid</u>		Attorney
<i>General legal</i>		\$ 81,451		
<i>Bond counsel</i>		211,898		
F. Matuska, Inc.	2009	11,056		Bookkeeper
Tax Tech, Inc.	2009	10,400		Tax Collector
Fort Bend Central Appraisal District	Legislation	2,478		Property Valuation
Waller County Appraisal District	Legislation	28,391		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2014			Delinquent Tax Attorney
Jones & Carter, Inc.	2009	101,201		Engineer
McGrath & Co., PLLC	2011	22,950		Auditor
The GMS Group, LLC	2014	142,840		Financial Advisor

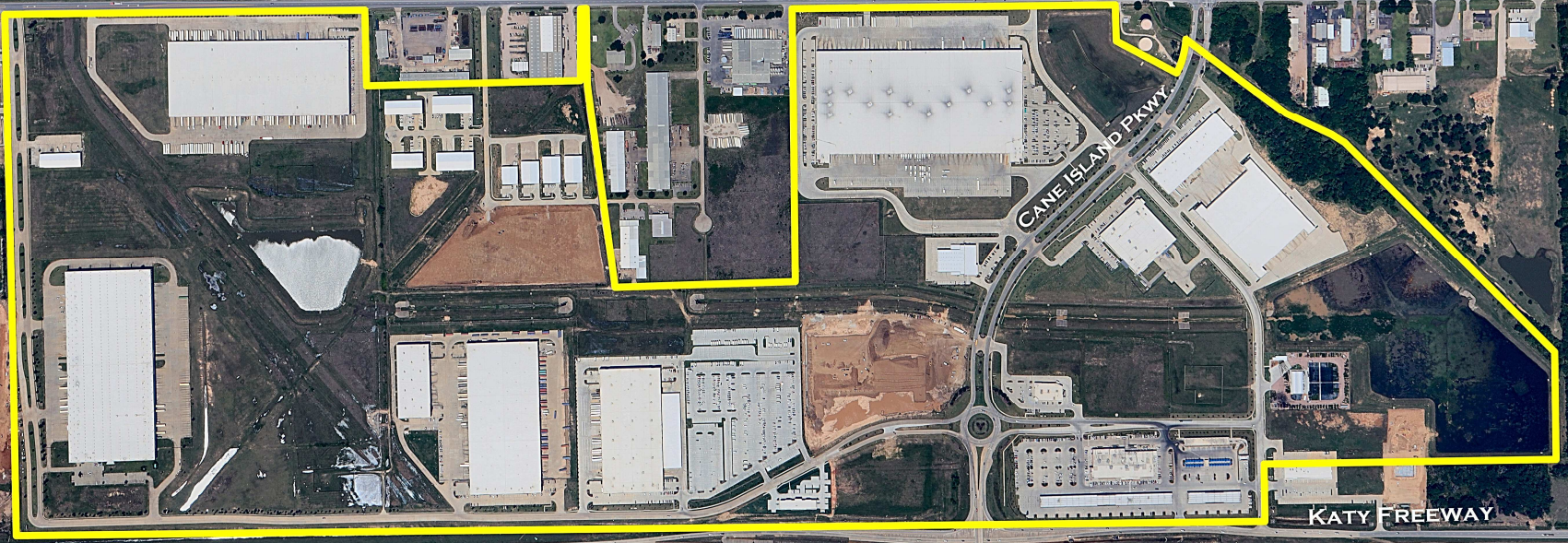
* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.
See accompanying auditors' report.

APPENDIX B
AERIAL PHOTOGRAPH

**FORT BEND WALLER COUNTIES
MUNICIPAL UTILITY DISTRICT NO. 2**



Hwy 90



CANE ISLAND PKWY

KATY FREEWAY

INTERSTATE 10

APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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