

OFFICIAL STATEMENT DATED MAY 10, 2022

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

The Bonds will NOT be designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”

NEW ISSUE – Book Entry Only

S&P Global Ratings (AGM Insured): “AA”

BRAZORIA-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3  
(A political subdivision of the State of Texas, located within Brazoria and Fort Bend Counties, Texas)

**\$8,860,000**  
**Unlimited Tax Utility Bonds,**  
**Series 2022**

**\$4,000,000**  
**Unlimited Tax Road Bonds,**  
**Series 2022**

**Dated: June 1, 2022**

**Due: March 1, as shown on inside cover page**

**Interest Accrues from Delivery Date**

The \$8,860,000 Unlimited Tax Utility Bonds, Series 2022 (the “Utility Bonds”) and the \$4,000,000 Unlimited Tax Road Bonds, Series 2022 (the “Road Bonds”, and together with the Utility Bonds, the “Bonds”) are solely obligations of the Brazoria-Fort Bend Counties Municipal Utility District No. 3 (the “District”) and are not obligations of the State of Texas, Brazoria County, Texas, Fort Bend County, Texas, the City of Alvin, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Brazoria County, Texas, Fort Bend County, Texas, the City of Alvin, Texas; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the “Paying Agent/Registrar”). The Bonds are dated June 1, 2022, and interest on the Bonds accrues from the date of their initial delivery, currently scheduled for June 15, 2022 (the “Delivery Date”). Interest is payable March 1, 2023, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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

See “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on inside cover.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate municipal bond insurance policies (each a “Bond Insurance Policy” and collectively, the “Bond Insurance Policy”) to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. (the “AGM” or the “Insurer”). See “BOND INSURANCE” and Appendix B herein.



The Utility Bonds constitute the initial series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the “Utility System”). The Road Bonds constitute the initial series of unlimited tax bonds issued by the District for the purpose of constructing the “Road System.” THE BONDS ARE SUBJECT TO RISK FACTORS DESCRIBED HEREIN. SEE “RISK FACTORS.” Voters in the District have authorized a total of \$150,880,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System; \$75,400,000 principal amount of unlimited tax refunding bonds for the Utility System; \$70,200,000 principal amount of unlimited tax bonds for roads in the District; \$35,100,000 principal amount of unlimited tax refunding bonds for the roads in the District; \$22,100,000 principal amount of unlimited tax bonds for recreational or park facilities in the District; and \$11,050,000 principal amount of unlimited tax refunding bonds for recreational or park facilities in the District. Following the issuance of the Bonds, the following amounts will remain authorized but unissued: \$142,020,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System; \$75,400,000 principal amount of unlimited tax refunding bonds for the Utility System; \$66,200,000 principal amount of unlimited tax bonds for roads in the District; \$35,100,000 principal amount of unlimited tax refunding bonds for roads in the District; \$22,100,000 principal amount of unlimited tax bonds for recreational or park facilities in the District; and \$11,050,000 principal amount of unlimited tax refunding bonds for recreational or park facilities in the District. See “THE BONDS – Authority for Issuance.”

The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of two continuing, annual ad valorem taxes, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “THE BONDS – Source of Payment.” Neither the State of Texas, the City of Alvin, Texas, Brazoria County, Texas, Fort Bend County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Alvin, Texas, Brazoria County, Texas, or Fort Bend County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Utility Bonds are offered, when, as and if issued by the District to the winning bidder of the Utility Bonds (the “Utility Bonds Initial Purchaser”) and the Road Bonds are offered, when, as and if issued by the District to the winning bidder of the Road Bonds (the “Road Bonds Initial Purchaser”, and together with the Utility Bonds Initial Purchaser, the “Initial Purchaser”), subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. This Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful under the securities laws of such jurisdictions. Delivery of the Bonds through the facilities of DTC is expected on or about June 15, 2022.

## MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

### **\$8,860,000 Unlimited Tax Utility Bonds, Series 2022**

#### **\$1,900,000 Serial Bonds**

| Maturity<br>March 1(d) | Principal<br>Amount | Interest<br>Rate | Initial<br>Reoffering<br>Yield (a) | CUSIP No.<br>106146 (b) | Maturity<br>March 1(d) | Principal<br>Amount | Interest<br>Rate | Initial<br>Reoffering<br>Yield (a) | CUSIP No.<br>106146 (b) |
|------------------------|---------------------|------------------|------------------------------------|-------------------------|------------------------|---------------------|------------------|------------------------------------|-------------------------|
| 2024                   | \$ 215,000          | 6.500%           | 2.550%                             | AA1                     | 2033 (c)               | \$ 315,000          | 4.000%           | 3.650%                             | AK9                     |
| 2025                   | 220,000             | 6.500%           | 2.800%                             | AB9                     | 2034 (c)               | 330,000             | 4.000%           | 3.750%                             | AL7                     |
| 2026                   | 230,000             | 6.500%           | 3.000%                             | AC7                     | 2035 (c)               | 345,000             | 4.000%           | 3.850%                             | AM5                     |
| 2027 (c)               | 245,000             | 6.500%           | 3.100%                             | AD5                     |                        |                     |                  |                                    |                         |

#### **\$6,960,000 Term Bonds**

\$795,000 Term Bond Due March 1, 2030<sup>(c)(d)</sup> Interest Rate 6.500% Yield 3.150%<sup>(a)</sup> CUSIP 106146 AG8 <sup>(b)</sup>  
 \$590,000 Term Bond Due March 1, 2032<sup>(c)(d)</sup> Interest Rate 6.000% Yield 3.200%<sup>(a)</sup> CUSIP 106146 AJ2 <sup>(b)</sup>  
 \$735,000 Term Bond Due March 1, 2037<sup>(c)(d)</sup> Interest Rate 4.000% Yield 4.000%<sup>(a)</sup> CUSIP 106146 AP8 <sup>(b)</sup>  
 \$805,000 Term Bond Due March 1, 2039<sup>(c)(d)</sup> Interest Rate 4.000% Yield 4.050%<sup>(a)</sup> CUSIP 106146 AR4 <sup>(b)</sup>  
 \$880,000 Term Bond Due March 1, 2041<sup>(c)(d)</sup> Interest Rate 4.000% Yield 4.150%<sup>(a)</sup> CUSIP 106146 AT0 <sup>(b)</sup>  
 \$960,000 Term Bond Due March 1, 2043<sup>(c)(d)</sup> Interest Rate 4.000% Yield 4.200%<sup>(a)</sup> CUSIP 106146 AV5 <sup>(b)</sup>  
 \$1,050,000 Term Bond Due March 1, 2045<sup>(c)(d)</sup> Interest Rate 4.125% Yield 4.250%<sup>(a)</sup> CUSIP 106146 AX1 <sup>(b)</sup>  
 \$1,145,000 Term Bond Due March 1, 2047<sup>(c)(d)</sup> Interest Rate 4.250% Yield 4.350%<sup>(a)</sup> CUSIP 106146 AZ6 <sup>(b)</sup>

### **\$4,000,000 Unlimited Tax Road Bonds, Series 2022**

#### **\$410,000 Serial Bonds**

| Maturity<br>March 1(d) | Principal<br>Amount | Interest<br>Rate | Initial<br>Reoffering<br>Yield (a) | CUSIP No.<br>106146 (b) | Maturity<br>March 1(d) | Principal<br>Amount | Interest<br>Rate | Initial<br>Reoffering<br>Yield (a) | CUSIP No.<br>106146 (b) |
|------------------------|---------------------|------------------|------------------------------------|-------------------------|------------------------|---------------------|------------------|------------------------------------|-------------------------|
| 2024                   | \$ 95,000           | 6.000%           | 2.550%                             | BA0                     | 2026                   | \$ 105,000          | 6.500%           | 3.000%                             | BC6                     |
| 2025                   | 100,000             | 6.500%           | 2.800%                             | BB8                     | 2027 (c)               | 110,000             | 6.500%           | 3.100%                             | BD4                     |

#### **\$3,590,000 Term Bonds**

\$360,000 Term Bond Due March 1, 2030<sup>(c)(d)</sup> Interest Rate 6.500% Yield 3.150%<sup>(a)</sup> CUSIP 106146 BG7 <sup>(b)</sup>  
 \$405,000 Term Bond Due March 1, 2033<sup>(c)(d)</sup> Interest Rate 6.500% Yield 3.200%<sup>(a)</sup> CUSIP 106146 BK8 <sup>(b)</sup>  
 \$305,000 Term Bond Due March 1, 2035<sup>(c)(d)</sup> Interest Rate 4.000% Yield 3.850%<sup>(a)</sup> CUSIP 106146 BM4 <sup>(b)</sup>  
 \$335,000 Term Bond Due March 1, 2037<sup>(c)(d)</sup> Interest Rate 4.000% Yield 4.000%<sup>(a)</sup> CUSIP 106146 BP7 <sup>(b)</sup>  
 \$365,000 Term Bond Due March 1, 2039<sup>(c)(d)</sup> Interest Rate 4.000% Yield 4.050%<sup>(a)</sup> CUSIP 106146 BR3 <sup>(b)</sup>  
 \$400,000 Term Bond Due March 1, 2041<sup>(c)(d)</sup> Interest Rate 4.000% Yield 4.150%<sup>(a)</sup> CUSIP 106146 BT9 <sup>(b)</sup>  
 \$430,000 Term Bond Due March 1, 2043<sup>(c)(d)</sup> Interest Rate 4.000% Yield 4.200%<sup>(a)</sup> CUSIP 106146 BV4 <sup>(b)</sup>  
 \$470,000 Term Bond Due March 1, 2045<sup>(c)(d)</sup> Interest Rate 4.125% Yield 4.250%<sup>(a)</sup> CUSIP 106146 BX0 <sup>(b)</sup>  
 \$520,000 Term Bond Due March 1, 2047<sup>(c)(d)</sup> Interest Rate 4.250% Yield 4.350%<sup>(a)</sup> CUSIP 106146 BZ5 <sup>(b)</sup>

- (a) The initial reoffering yield has been provided by the Initial Purchaser (herein defined) and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may be changed for subsequent purchasers. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. and are included solely for the convenience of the owners of the Bonds. None of the District, Financial Advisor (herein defined) or Initial Purchaser shall be responsible for the selection or the correctness of the CUSIP numbers.
- (c) Bonds maturing on March 1, 2028, and thereafter, are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on March 1, 2027, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds-Optional Redemption."
- (d) The Road Term Bonds (defined herein) maturing on March 1 in the years 2030 through 2047 are additionally subjected to mandatory sinking fund redemption prior to maturity. The Utility Term Bonds (defined herein) maturing on March 1 in the year 2030 and the years 2032 through 2047 are additionally subjected to mandatory sinking fund redemption prior to maturity. See "THE BONDS – Redemption of the Bonds – Mandatory Redemption."

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and 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 Coats Rose, P.C. ("Bond Counsel") for further information.

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

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

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

Assured Guaranty Municipal Corp. ("AGM" of the "Insurer") 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 B - Specimen Municipal Bond Insurance Policy".

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

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## **SALE AND DISTRIBUTION OF THE BONDS**

### **Award of the Bonds**

After requesting competitive bids for the Utility Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets (the “Utility Bonds Initial Purchaser”). The Utility Bonds Initial Purchaser has agreed to purchase the Utility Bonds, bearing the interest rates shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the inside cover page of this Official Statement, at a price of 98.224290% of the principal amount thereof which resulted in a net effective interest rate of 4.422998%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets (the “Road Bonds Initial Purchaser”). The Road Bonds Initial Purchaser has agreed to purchase the Road Bonds, bearing the interest rates shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the inside cover page of this Official Statement, at a price of 98.190995% of the principal amount thereof which resulted in a net effective interest rate of 4.505121%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

The Utility Bonds Initial Purchaser and the Road Bonds Initial Purchaser are collectively referred to as the “Initial Purchaser” through this Official Statement.

### **Prices and Marketability**

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. 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 Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### **Securities Laws**

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) will issue separate Municipal Bond Insurance Policies for the Bonds (each a “Bond Insurance Policy” and collectively, the “Bond Insurance Policies”). The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Bond Insurance 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 “A1” (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 March 18, 2022, Moody’s announced it had upgraded AGM’s insurance financial strength rating to “A1” (stable outlook) from “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

On October 20, 2021, 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 8, 2021, 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.

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, 2021.

### *Capitalization of AGM*

At March 31, 2022:

- The policyholders’ surplus of AGM was approximately \$2,909 million.
- The contingency reserve of AGM was approximately \$893 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,116 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (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”).

The policyholders’ surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM 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.

### *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, 2021 (filed by AGL with the SEC on February 25, 2022); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 (filed by AGL with the SEC on May 6, 2022).

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**”.

#### **RATINGS**

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

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

*[Remainder of this page intentionally left blank.]*



## OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

### THE BONDS

|                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The District.....                     | Brazoria-Fort Bend Counties Municipal Utility District No. 3 (the “District”), a political subdivision of the State of Texas located within Brazoria and Fort Bend Counties, Texas. See “THE DISTRICT-General.”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| The Bonds.....                        | The District is issuing \$8,860,000 Unlimited Tax Utility Bonds, Series 2022 (the “Utility Bonds”) and \$4,000,000 Unlimited Tax Road Bonds, Series 2022 (the “Road Bonds”, and together with the Utility Bonds, the “Bonds”). The Bonds are dated June 1, 2022 and mature on March 1 in the years and amounts set forth on the inside cover page hereof. Interest accrues from the date of the initial delivery of the Bonds at the rates per annum set forth on the inside cover page hereof and is payable on March 1, 2023, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS.” |
| Redemption .....                      | Bonds maturing on and after March 1, 2028, are subject to redemption, in whole or from time to time in part, at the option of the District on March 1, 2027, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption of the Bonds.”                                                                                                                                                                                                                                                                                                                                                                                            |
| Book-Entry-Only System .....          | The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (as defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (as defined herein) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).                                 |
| Source of Payment.....                | Principal of and interest on the Bonds are payable from the proceeds of two continuing direct annual ad valorem taxes, each levied upon all taxable property within the District without legal limitation as to rate or amount. See “THE BONDS - Source of Payment,” and “TAX DATA - Tax Rate Calculations.”                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Qualified Tax Exempt Obligations..... | The Bonds will <u>NOT</u> be designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax Exempt Obligations.”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Payment Record.....                   | The Utility Bonds constitute the initial series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the “Utility System”). The District will capitalize an amount equal to the initial                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

twelve (12) months of interest payments from the proceeds of the sale of the Utility Bonds, and will deposit such sum in the Utility Bond Fund.

The Road Bonds constitute the initial series of unlimited tax bonds issued by the District for the purpose of constructing “Road System.” The District will capitalize an amount equal to the initial twelve (12) months of interest payments from the proceeds of the sale of the Road Bonds, and will deposit such sum in the Road Bond Fund. See: “THE BONDS – Use and Description of Bond Proceeds.”

Authorized but Unissued Bonds ..... Following the issuance of the Bonds, the following amounts will remain authorized but unissued: \$142,020,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System; \$75,040,000 principal amount of unlimited tax refunding bonds for the Utility System; \$66,200,000 principal amount of unlimited tax bonds for roads in the District; \$35,100,000 principal amount of unlimited tax refunding bonds for roads in the District; \$22,100,000 principal amount of unlimited tax bonds for recreational or park facilities in the District; and \$11,050,000 principal amount of unlimited tax refunding bonds for recreational or park facilities in the District.

Authority for Issuance ..... To date, voters in the District have authorized a total of \$150,880,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System; \$75,040,000 principal amount of unlimited tax refunding bonds for the Utility System; \$70,200,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the “Road System”); \$35,100,000 principal amount of unlimited tax refunding bonds for the roads in the District; \$22,100,000 principal amount of unlimited tax bonds for recreational or park facilities in the District; and \$11,050,000 principal amount of unlimited tax refunding bonds for recreational or park facilities in the District.

The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 8075 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an order (the “Utility Bond Order”) adopted by the Board of Directors of the District on the date of the sale of the Bonds, (iv) an election held within the District on May 2, 2020, and (v) an approving order of the Texas Commission on Environmental Quality (“TCEQ”). See “THE BONDS – Authority for Issuance, and – Issuance of Additional Debt” and “RISK FACTORS – Future Debt.”

The Road Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, (ii) Chapter 8075 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an order (the “Road Bond Order”) adopted by the Board of Directors of the District on the date of the sale of the Road Bonds, and (iv) an election held within the District on May 2, 2020.

The Utility Bond Order and the Road Bond Order are herein referred to collectively as the “Bond Orders.”

|                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Use of Utility Bond Proceeds .....      | A portion of the proceeds from the sale of the Utility Bonds will be used to redeem the BAN (herein defined), the proceeds of which were used to reimburse the Developer (hereinafter defined) for a portion of the following: (i) wastewater treatment plant share and one (1) year of lease payments; (ii) purchased water capacity from Fort Bend County Municipal Utility District No. 131; (iii) phase 1 of water plant No. 1; (iv) phase 1 of wastewater treatment plant No. 1; (v) engineering fees related to water plant No. 1 and wastewater treatment plant No. 1; (vi) SWPPP and testing fees; (vii) land acquisition; and (viii) operating advances. In addition, a portion of the proceeds from the Bonds will be used to pay developer interest, twelve (12) months of capitalized interest on the Utility Bonds, BAN interest, and certain other costs associated with the issuance of the Bonds. See “THE BONDS - Use and Distribution of Utility Bond Proceeds.”                                                                                                                                                                                                                                                                                      |
| Use of Road Bond Proceeds .....         | A portion of the proceeds from the sale of the Road Bonds will be used to reimburse the Developer (hereinafter defined) for a portion of the following: (i) Southern Colony II, Section 1B; (ii) Southern Colony II, Section 2; (iii) Southern Colony II, Section 3; (iv) SWPPP and testing fees; and (v) land acquisition. In addition, a portion of the proceeds from the Bonds will be used to pay developer interest, twelve (12) months of capitalized interest on the Road Bonds, and certain other costs associated with the issuance of the Bonds. See “THE BONDS - Use and Distribution of Road Bond Proceeds.”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Municipal Bond Insurance.....           | Assured Guaranty Municipal Corp. See “MUNICIPAL BOND INSURANCE.”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Ratings.....                            | S&P Global Ratings (AGM Insured) – “AA.” See “RATINGS.”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Bond Counsel .....                      | Coats Rose, P.C., Houston, Texas.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Disclosure Counsel.....                 | Orrick, Herrington & Sutcliffe LLP, Houston, Texas.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Financial Advisor .....                 | Tierra Financial Advisors, LLC, Arlington, Texas (“Tierra”). Tierra is a wholly-owned subsidiary of D.R. Horton Inc., the primary developer of land in the District. See “RELATIONSHIP AMONG THE PARTIES” herein.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Infectious Disease Outbreak – COVID-19. | <p>In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.</p> <p>Since such time, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including the State) have started to lift business and social limitations associated with COVID-19.</p> |

Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the easing or removal of COVID-19 associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

#### **THE DISTRICT**

|                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Description .....                       | The District is a political subdivision of the State of Texas created by acts of the 86 <sup>th</sup> Texas Legislature, codified as Chapter 8075, Special District Local Laws Code (the “Act”) as a municipal utility district created under and essential to accomplish the purposes of Section 59, Article XVI, and Section 52, Article III of the Texas Constitution, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. See “THE DISTRICT.”                                                                                                                                                           |
| Location.....                           | The District is 652.626 acres located in the southeast Houston metropolitan area, approximately 21 miles southwest of downtown Houston and approximately 3 miles south of the intersection of Texas State Highway 6 and FM 521. The District is in the William Hall Survey, Abstract 31, in Fort Bend County, Texas, the William Hall Survey, Abstract 713 in Brazoria County, Texas, as well as the H.T.&B. R.R. Co. Lot 68, Abstract 561 in Brazoria County, Texas. The property lies partially within the extra-territorial jurisdiction (“ETJ”) of the City of Alvin, Texas, and partially within no City’s ETJ or corporate limits.                                                                                |
| Developer and Principal Landowner ..... | The developer and a principal land-owner of the land within the District is D.R. Horton-Texas, Ltd. (the “Developer”), a Texas limited partnership. The Developer is wholly owned by D.R. Horton, Inc. (“D.R. Horton”), a Delaware corporation and publicly held company, the stock of which is listed on the New York Stock Exchange under the ticker symbol “DHI.” An additional principal landowner within the District is 258 Colony Investments, LLC (“258 Colony”). The Developer has an exclusive option to purchase all of the land in the District from 258 Colony and has to date purchased approximately 622 acres of total project acreage of approximately 652 acres. See “PRINCIPAL LANDOWNER/DEVELOPER.” |
| Development within the District.....    | The District is being developed as Caldwell Ranch, a single family residential community. Development in the District currently                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

includes 1,190 single-family residential lots on approximately 245 acres. As of April 19, 2022, the District consisted of 558 completed homes (529 occupied, 8 model homes and 21 unoccupied and unsold), 204 homes under construction (126 contracted for sale and 78 unsold), and 428 vacant developed lots. Homes in the District range in price from approximately \$294,000 to \$310,000.

In addition to the development described above, the Developer is in the process of constructing a recreation center which will have a pool, restrooms and open spaces on approximately 11 acres in the District. The District includes approximately 83 developable acres that have not been provided with water distribution, sanitary sewer and storm drainage facilities. The remainder of the District is comprised of approximately 244 acres of street right-of-way, easements, drainage, floodway, open spaces and utility sites, including the 4.3 acres devoted to the recreation center. See “DEVELOPMENT OF THE DISTRICT – Status of Development within the District.”

|                   |                                                                                                                                                                                                                                                                                             |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Homebuilder ..... | D.R. Horton is currently building single-family homes in the District. Homes in the District range in price from approximately \$294,000 to \$310,000 and in size from approximately 1,300 to over 2,300 square feet. See “DEVELOPMENT OF THE DISTRICT – Homebuilders within the District.” |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**RISK FACTORS**

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED “RISK FACTORS” AND “RELATIONSHIP AMONG THE PARTIES” BEFORE MAKING AN INVESTMENT DECISION.

**SELECTED FINANCIAL INFORMATION**  
**(UNAUDITED)**

|                                                                                                                                                                     |                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 2021 Certified Assessed Valuation                                                                                                                                   | \$ 19,296,210 (a)     |
| Estimated Assessed Valuation as of April 1, 2022                                                                                                                    | \$ 136,924,128 (b)    |
| Direct Debt:                                                                                                                                                        |                       |
| The Utility Bonds                                                                                                                                                   | \$ 8,860,000          |
| The Road Bonds                                                                                                                                                      | <u>\$ 4,000,000</u>   |
| Total                                                                                                                                                               | \$ 12,860,000         |
| Estimated Overlapping Debt                                                                                                                                          | <u>\$ 870,334 (c)</u> |
| Total Direct and Estimated Overlapping Debt                                                                                                                         | \$ 13,730,334 (c)     |
| Direct Debt Ratio:                                                                                                                                                  |                       |
| As a percentage of 2021 Certified Assessed Valuation                                                                                                                | 66.65%                |
| As a percentage of Estimated Assessed Valuation as of April 1, 2022                                                                                                 | 9.39%                 |
| Direct and Estimated Overlapping Debt Ratio:                                                                                                                        |                       |
| As a percentage of 2021 Certified Assessed Valuation                                                                                                                | 71.16%                |
| As a percentage of Estimated Assessed Valuation as of April 1, 2022                                                                                                 | 10.03%                |
| Operating Fund (as of as of March 1, 2022)                                                                                                                          | \$ 794,539            |
| Utility Bond Debt Service Fund                                                                                                                                      | \$ 413,000 (d)        |
| Road Bond Debt Service Fund                                                                                                                                         | \$ 190,788 (e)        |
| 2021 Tax Rate:                                                                                                                                                      |                       |
| Utility System Debt Service                                                                                                                                         | -                     |
| Road System Debt Service                                                                                                                                            | -                     |
| Maintenance & Operations                                                                                                                                            | <u>\$ 1,500</u>       |
| Total                                                                                                                                                               | \$ 1,500              |
| Average Annual Debt Service Requirements on the Utility Bonds (2023 - 2047)                                                                                         | \$ 587,684 (f)        |
| Maximum Annual Debt Service Requirements on the Utility Bonds (2024)                                                                                                | \$ 621,013 (f)        |
| Utility System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay<br>Average Annual Debt Service Requirement on the Utility Bonds (2023 - 2047): |                       |
| Based on 2021 Certified Assessed Valuation at 95% Collections                                                                                                       | \$ 3.21               |
| Based on Estimated Assessed Valuation as of April 1, 2022, at 95% Collections                                                                                       | \$ 0.45               |
| Utility System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay<br>Maximum Annual Debt Service Requirement on the Utility Bonds (2023 - 2047): |                       |
| Based on 2021 Certified Assessed Valuation at 95% Collections                                                                                                       | \$ 3.39               |
| Based on Estimated Assessed Valuation as of April 1, 2022, at 95% Collections                                                                                       | \$ 0.48               |
| Average Annual Debt Service Requirements on the Road Bonds (2023 - 2047)                                                                                            | \$ 267,291 (g)        |
| Maximum Annual Debt Service Requirements on the Road Bonds (2046)                                                                                                   | \$ 282,938 (g)        |
| Road System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay<br>Average Annual Debt Service Requirement on the Road Bonds (2023 - 2047):       |                       |
| Based on 2021 Certified Assessed Valuation at 95% Collections                                                                                                       | \$ 1.46               |
| Based on Estimated Assessed Valuation as of April 1, 2022, at 95% Collections                                                                                       | \$ 0.21               |
| Road System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay<br>Maximum Debt Service Requirement on the Road Bonds (2023 - 2047):              |                       |
| Based on 2021 Certified Assessed Valuation at 95% Collections                                                                                                       | \$ 1.54               |
| Based on Estimated Assessed Valuation as of April 1, 2022, at 95% Collections                                                                                       | \$ 0.22               |

- 
- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2021, provided by the Brazoria County Appraisal District and the Fort Bend Central Appraisal District (collectively, the "Appraisal Districts"). See "TAX DATA" and "TAXING PROCEDURES."
  - (b) Provided by the Appraisal Districts for information purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of January 1, 2021, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2021, to April 1, 2022. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
  - (c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
  - (d) Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. The funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Utility Bonds, and any other bonds issued for the purpose of acquiring or constructing the Utility System. The Utility Bonds include twelve (12) months of capitalized interest which will be deposited into the Utility System Debt Service Fund.
  - (e) Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. The funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Road Bonds, and any other bonds issued for the purpose of acquiring or constructing the Road System. The Road Bonds include twelve (12) months of capitalized interest which will be deposited into the Road System Debt Service Fund.
  - (f) See "DISTRICT DEBT – Estimated Utility System Debt Service Requirement Schedule."
  - (g) See "DISTRICT DEBT – Estimated Road System Debt Service Requirement Schedule."

*[Remainder of this page intentionally left blank.]*

## OFFICIAL STATEMENT

relating to

### **BRAZORIA-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3**

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

**\$8,860,000**  
**Unlimited Tax Utility Bonds,**  
**Series 2022**

**\$4,000,000**  
**Unlimited Tax Road Bonds,**  
**Series 2022**

## INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Brazoria-Fort Bend Counties Municipal Utility District No. 3 (the “District”) of its \$8,860,000 Unlimited Tax Utility Bonds, Series 2022 (the “Utility Bonds”) and its \$4,000,000 Unlimited Tax Road Bonds, Series 2022 (the “Road Bonds”). The Utility Bonds and Road Bonds are herein referred to collectively as the “Bonds.”

The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 8075 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an order (the “Utility Bond Order”) adopted by the Board of Directors of the District on the date of the sale of the Bonds, (iv) an election held within the District on May 2, 2020, and (v) an approving order of the Texas Commission on Environmental Quality (“TCEQ”).

The Road Bonds are issued pursuant to the (i) Article III, Section 52 of the Texas Constitution, (ii) Chapter 8075 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an order (the “Road Bond Order”) adopted by the Board of Directors of the District on the date of the sale of the Road Bonds, and (iv) an election held within the District on May 2, 2020.

The Utility Bond Order and the Road Bond Order are herein referred to collectively as the “Bond Orders.”

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

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

## RELATIONSHIP AMONG THE PARTIES

Tierra Financial Advisors, LLC, serves as financial advisor to the District (the “Financial Advisor”) and is a wholly owned subsidiary of D.R. Horton Inc. (“D.R. Horton”), the primary developer of land in the District. The District was created in 2019 at the request of D.R. Horton to facilitate development in the District, and D.R. Horton currently owns approximately 10.74% of the of the total taxable assessed value of property in the District. See “DEVELOPMENT OF THE DISTRICT,” “PRINCIPAL LANDOWNER/DEVELOPER” and “TAX DATA – Principal Taxpayers.” A portion of the proceeds of the Bonds will be used to reimburse D.R. Horton for expenditures incurred in connection with the development of infrastructure in the District. See “THE BONDS – Use and Distribution of Utility Bond Proceeds, and – Use and Distribution of Road Bond Proceeds.” No employees of D.R. Horton are members of the Board of the District and the Financial Advisor is subject to federal laws and regulations that require it to disclose, manage and mitigate conflicts of interest consistent with its fiduciary duties to the District.

## RISK FACTORS

### General

The Bonds, which are obligations solely of the District and not of the State of Texas, Brazoria County, Texas, Fort Bend County, Texas, the City of Alvin (the “City”), Texas; or any political subdivision other than the District, will be secured by two continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the



Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See “DEVELOPMENT OF THE DISTRICT,” “TAX DATA,” and “TAXING PROCEDURES.”

### **Factors Affecting Taxable Values and Tax Payment**

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

**Principal Landowner/Developer:** There is no commitment by, or legal requirement of, the principal landowners, Developer (as defined herein), to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner’s right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See “DEVELOPMENT OF THE DISTRICT,” “PRINCIPAL LANDOWNER/DEVELOPER,” and “TAX DATA – Principal Taxpayers.”

**Dependence on Principal Taxpayers and the Developer:** The top ten principal taxpayers represent \$5,987,990 or 35.7% of the 2021 Certified Assessed Valuation, which represents ownership as of January 1, 2021. The Developer represents \$1,757,350 or 9.1% of such value. If these or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District’s debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See, “TAX DATA – Principal Taxpayers” and “TAXING PROCEDURES – Levy and Collection of Taxes.”

**Maximum Impact on District Tax Rates:** The value of the land and improvements currently within the District will be the major determinant of the ability of the District to collect and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District’s 2021 Certified Assessed Valuation is \$19,296,210 (see “TAX DATA”), reflecting the District’s certified 2021 tax roll supplied to the District by the Appraisal Districts. Moreover, the Estimated Assessed Valuation at April 1, 2022 of property located within the District, supplied by the Appraisal Districts is \$136,924,128.

After issuance of the Utility Bonds, the maximum annual debt service requirement on the Utility Bonds will be \$621,013 (2024) and the average annual debt service requirement on the Utility Bonds will be \$587,684 (2023 - 2047). Assuming no decrease to the 2021 Certified Assessed Valuation, tax rates of \$3.39 and \$3.21 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the Estimated Valuation as of April 1, 2022, tax rates of \$0.48 and \$0.45 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

After issuance of the Road Bonds, the maximum annual debt service requirement on the Road Bonds will be \$282,938 (2024) and the average annual debt service requirement on the Road Bonds will be \$267,291 (2023 - 2047). Assuming no decrease to the 2021 Certified Assessed Valuation, tax rates of \$1.54 and \$1.46 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the Estimated Valuation as of April 1, 2022, tax rates of \$0.22 and \$0.21 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. In 2021, the District levied a maintenance tax of \$1.50 per \$100 of assessed valuation.

As is enumerated in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District’s rate, is \$1.50 per \$100 of Assessed Valuation, as to that portion of the District that lies within Brazoria County, and \$1.50 per \$100 of Assessed Valuation that portion of the District that lies within Fort Bend County. Such

aggregate rates are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

### **Dependence on the Oil and Gas Industry**

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

### **Competitive Nature of Residential Housing Market**

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

### **Tax Collection and Foreclosure Remedies**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

### **Bondholders' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the registered holders of the Bonds ("Bondholders") have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Orders do not provide for remedies to protect and enforce the interests of the Bondholders. 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. Based on recent Texas court decisions, it is unclear whether, §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if the Bondholders could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Bondholders cannot themselves foreclose on property within the District or sell property of the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Bondholders would have to initiate and finance the legal process to enforce their remedies. SEE "THE BONDS-Bondholders' Remedies and Bankruptcy Limitation to Bondholders' Rights."

### **Bankruptcy Limitation to Bondholders' Rights**

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desired to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Beneficial Owners' claims against the District.

The District may not be placed into bankruptcy involuntarily. SEE "THE BONDS-Bondholders' Remedies and Bankruptcy Limitation to Bondholders' Rights."

### **Marketability**

The District has no understanding with the Initial Purchaser of the Bonds 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 for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

### **Future Debt**

At an election held within the District on May 2, 2020, voters of the District authorized the District's issuance of: \$150,880,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System; \$75,400,000 principal amount of unlimited tax refunding bonds for the Utility System; \$70,200,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$35,100,000 principal amount of unlimited tax refunding bonds for the Road System; \$22,100,000 principal amount of unlimited tax bonds for recreational or park facilities in the District; and \$11,050,000 principal amount of unlimited tax refunding bonds for recreational or park facilities in the District.

The Bonds represent the initial series of bonds issued by the District for the purpose of acquiring or constructing the Utility System and the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$142,020,000 for the Utility System; \$66,200,000 for the Road System; and \$22,100,000 for parks and recreational facilities. The District may issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Orders. See "THE BONDS – Issuance of Additional Debt."

The District's issuance of the remaining \$142,020,000 unlimited tax bonds authorized for the Utility System and the \$22,100,000 unlimited tax bonds authorized for parks and recreational or park facilities shall be subject to approval by the TCEQ.

Following the issuance of the Bonds, the District will owe the Developer approximately \$47,500,000 for the existing Utility System, the Road System and recreational or park facilities. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The District does not intend to issue any additional unlimited tax bonds in the current calendar year. SEE "THE BONDS-Issuance of Additional Debt."

### **Continuing Compliance with Certain Covenants**

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

### **Approval of the Bonds**

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, 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.

### **Infectious Disease Outbreak – COVID-19**

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Since such time, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including the State) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the easing or removal of COVID-19 associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

### **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 non-stormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required 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. Costs associated with these compliance activities could be substantial in the future.

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.

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States.” Due to existing and possible future litigation and regulatory action, 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.

### **Sever Weather Events**

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. “500 year flood” events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

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

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

### **Potential Impact of Natural Disaster**

The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornados, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District’s tax rates.

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

### **Future and Proposed 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.

## **THE BONDS**

### **General**

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Orders of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. Copies of the Bond Orders may be obtained from the District upon written request made to the District’s Financial Advisor, Tierra Financial Advisors, LLC, 1341 Horton Circle, Arlington, Texas, 76011. The Bond Orders authorize the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated June 1, 2022, and will mature on March 1 in the years and in the principal amounts indicated on the inside cover page hereof. The Bonds will accrue interest from the date of their initial delivery (the “Delivery Date”), at the stated interest rates indicated on the inside cover page hereof. Interest on the Bonds is payable on March 1, 2023, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until maturity or prior redemption. The Bonds will be issued as fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof. Principal of the Bonds will be payable to a Bondholder thereof at maturity or earlier redemption upon presentation of Bonds at the principal payment office of Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to Bondholders as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the “Record Date”), or by other such customary banking arrangements as may be acceptable to the Paying Agent/Registrar and the Bondholder at the expense and risk of the Bondholder.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not

receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described below under “Book-Entry-Only System.”

### **Book-Entry-Only System**

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

*The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the 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 required by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest Bonds 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 Bonds 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 Bonds transactions in deposited Bonds, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of Bonds. Direct Participants include both U.S. and non-U.S. Bonds 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 Bonds 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. Bonds brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“indirect Participants”). DTC has a rating from S&P Global Ratings of AA+. The DTC Rules applicable to its Participants are on file with the Bonds and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://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 Bonds representing their ownership interests in Bonds except in the event that use of the book-entry system for the Bonds is discontinued. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect



only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners.

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. 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, Bonds 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 Bonds depository). In that event, Bonds 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 or the Financial Advisor take 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.

#### **Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the DTC Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Orders will be given only to DTC.

#### **Successor Paying Agent/Registrar**

Provisions are made in the Bond Orders for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the

District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

### **Registration, Transfer and Exchange**

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

### **Redemption of the Bonds**

#### Optional Redemption

The Bonds maturing on March 1, 2028, and thereafter are subject to redemption and payment at the option of the District, in whole or from time to time in part, on March 1, 2027, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Bondholder of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Bondholder of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

#### Mandatory Redemption

The Utility Bonds maturing on March 1, 2030, March 1, 2032, March 1, 2037, March 1, 2039, March 1, 2041, March 1, 2043, March 1, 2045, and March 1, 2047 (the "Utility Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the table(s) below.

#### **\$795,000 Utility Term Bonds, due March 1, 2030**

| <b><u>Mandatory Redemption Date</u></b> | <b><u>Principal Amount</u></b> |
|-----------------------------------------|--------------------------------|
| March 1, 2028                           | \$255,000                      |
| March 1, 2029                           | \$265,000                      |
| March 1, 2030 (maturity)                | \$275,000                      |

#### **\$590,000 Utility Term Bonds, due March 1, 2032**

| <b><u>Mandatory Redemption Date</u></b> | <b><u>Principal Amount</u></b> |
|-----------------------------------------|--------------------------------|
| March 1, 2031                           | \$290,000                      |
| March 1, 2032 (maturity)                | \$300,000                      |

**\$735,000 Utility Term Bonds, due March 1, 2037**

| <b><u>Mandatory Redemption Date</u></b> | <b><u>Principal Amount</u></b> |
|-----------------------------------------|--------------------------------|
| March 1, 2036                           | \$360,000                      |
| March 1, 2037 (maturity)                | \$375,000                      |

**\$805,000 Utility Term Bonds, due March 1, 2039**

| <b><u>Mandatory Redemption Date</u></b> | <b><u>Principal Amount</u></b> |
|-----------------------------------------|--------------------------------|
| March 1, 2038                           | \$395,000                      |
| March 1, 2039 (maturity)                | \$410,000                      |

**\$880,000 Utility Term Bonds, due March 1, 2041**

| <b><u>Mandatory Redemption Date</u></b> | <b><u>Principal Amount</u></b> |
|-----------------------------------------|--------------------------------|
| March 1, 2040                           | \$430,000                      |
| March 1, 2041 (maturity)                | \$450,000                      |

**\$960,000 Utility Term Bonds, due March 1, 2043**

| <b><u>Mandatory Redemption Date</u></b> | <b><u>Principal Amount</u></b> |
|-----------------------------------------|--------------------------------|
| March 1, 2042                           | \$470,000                      |
| March 1, 2043 (maturity)                | \$490,000                      |

**\$1,050,000 Utility Term Bonds, due March 1, 2045**

| <b><u>Mandatory Redemption Date</u></b> | <b><u>Principal Amount</u></b> |
|-----------------------------------------|--------------------------------|
| March 1, 2044                           | \$515,000                      |
| March 1, 2045 (maturity)                | \$535,000                      |

**\$1,145,000 Utility Term Bonds, due March 1, 2047**

| <b><u>Mandatory Redemption Date</u></b> | <b><u>Principal Amount</u></b> |
|-----------------------------------------|--------------------------------|
| March 1, 2046                           | \$560,000                      |
| March 1, 2047 (maturity)                | \$585,000                      |

The Road Bonds maturing on March 1, 2030, March 1, 2033, March 1, 2035, March 1, 2037, March 1, 2039, March 1, 2041, March 1, 2043, March 1, 2045, and March 1, 2047 (the "Road Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the table(s) below.

**\$360,000 Road Term Bonds, due March 1, 2030**

| <b><u>Mandatory Redemption Date</u></b> | <b><u>Principal Amount</u></b> |
|-----------------------------------------|--------------------------------|
| March 1, 2028                           | \$115,000                      |
| March 1, 2029                           | \$120,000                      |
| March 1, 2030 (maturity)                | \$125,000                      |

**\$405,000 Road Term Bonds, due March 1, 2033**

| <b><u>Mandatory Redemption Date</u></b> | <b><u>Principal Amount</u></b> |
|-----------------------------------------|--------------------------------|
| March 1, 2031                           | \$130,000                      |
| March 1, 2032                           | \$135,000                      |
| March 1, 2033 (maturity)                | \$140,000                      |

**\$305,000 Road Term Bonds, due March 1, 2035**

| <b><u>Mandatory Redemption Date</u></b> | <b><u>Principal Amount</u></b> |
|-----------------------------------------|--------------------------------|
| March 1, 2034                           | \$150,000                      |
| March 1, 2035 (maturity)                | \$155,000                      |

**\$335,000 Road Term Bonds, due March 1, 2037**

| <b><u>Mandatory Redemption Date</u></b> | <b><u>Principal Amount</u></b> |
|-----------------------------------------|--------------------------------|
| March 1, 2036                           | \$165,000                      |
| March 1, 2037 (maturity)                | \$170,000                      |

**\$365,000 Road Term Bonds, due March 1, 2039**

| <b><u>Mandatory Redemption Date</u></b> | <b><u>Principal Amount</u></b> |
|-----------------------------------------|--------------------------------|
| March 1, 2038                           | \$180,000                      |
| March 1, 2039 (maturity)                | \$185,000                      |

**\$400,000 Road Term Bonds, due March 1, 2041**

| <b><u>Mandatory Redemption Date</u></b> | <b><u>Principal Amount</u></b> |
|-----------------------------------------|--------------------------------|
| March 1, 2040                           | \$195,000                      |
| March 1, 2041 (maturity)                | \$205,000                      |

**\$430,000 Road Term Bonds, due March 1, 2043**

| <b><u>Mandatory Redemption Date</u></b> | <b><u>Principal Amount</u></b> |
|-----------------------------------------|--------------------------------|
| March 1, 2042                           | \$210,000                      |
| March 1, 2043 (maturity)                | \$220,000                      |

**\$470,000 Road Term Bonds, due March 1, 2045**

| <b><u>Mandatory Redemption Date</u></b> | <b><u>Principal Amount</u></b> |
|-----------------------------------------|--------------------------------|
| March 1, 2044                           | \$230,000                      |
| March 1, 2045(maturity)                 | \$240,000                      |

**\$520,000 Road Term Bonds, due March 1, 2047**

| <b><u>Mandatory Redemption Date</u></b> | <b><u>Principal Amount</u></b> |
|-----------------------------------------|--------------------------------|
| March 1, 2046                           | \$255,000                      |
| March 1, 2047 (maturity)                | \$265,000                      |

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

### **Replacement of 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, receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to hold them harmless. The District or the Paying Agent/Registrar may require payment of taxes, governmental charges and other expenses and other expenses in connection with any such replacement.

### **Authority for Issuance**

At an election held within the District on May 2, 2020, voters in the District authorized a total of \$150,880,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System; \$75,440,000 principal amount of unlimited tax refunding bonds for the Utility System; \$70,200,000 principal amount of unlimited tax bonds for roads in the District; \$35,100,000 principal amount of unlimited tax refunding bonds for the purpose of acquiring and constructing the Road System; \$22,100,000 principal amount of unlimited tax bonds for recreational or park facilities in the District; and \$11,050,000 principal amount of unlimited tax refunding bonds for recreational or park facilities in the District.

The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 8075 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) the Utility Bond Order, (iv) an election held within the District on May 2, 2020, and (v) an approving order of the TCEQ.

The Road Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, (ii) Chapter 8075 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) the Road Bond Order, and (iv) an election held within the District on May 2, 2020.

### **Source of Payment**

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

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

### **Issuance of Additional Debt**

The District may issue additional bonds with the approval of the TCEQ (with respect to the bonds for the Utility System or for parks and recreation) necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the District's issuance of \$150,880,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System; \$75,400,000 principal amount of unlimited tax refunding bonds for the Utility System; \$70,200,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$35,100,000 principal amount of unlimited tax refunding bonds for the Road System; \$20,100,000 principal amount of unlimited tax bonds for recreational or park facilities in the District; and \$11,050,000 principal amount of unlimited tax refunding bonds for recreational or park facilities in the District.

The Bonds represent the initial series of bonds issued by the District for the purpose of acquiring or constructing the Utility System and the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$142,020,000 for the Utility System; \$66,200,000 for the Road System; and \$22,100,000 for parks and recreational facilities. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Orders. The Bond Orders impose no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds for the Utility System or for parks and recreation, approved by the TCEQ).

Following the issuance of the Bonds, the District will owe the Developer approximately \$47,500,000 for the existing Utility System, the Road System and recreational or park 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 bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The District has not considered the preparation of a parks bond application at this time. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District at the time of issuance.

The District does not intend to issue any additional unlimited tax bonds in the current calendar year.

### **Consolidation**

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District is not contemplating consolidation.

### **No Arbitrage**

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

### **Defeasance**

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

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 a manner which would permit other investments to be made with amounts deposited to defease the Bonds. Because the Bond Orders do not contractually limit such investments, Bondholders may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as currently permitted under Texas law. There is also no assurance that any investment held for such discharge will maintain its rating.

### **Legal Investment and Eligibility to Secure Public Funds in Texas**

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

- (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
- (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

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

### **Bondholders' Remedies**

The Bond Orders contains a covenant that while any part of the Bonds is outstanding, there shall be assessed, levied, and collected a direct, continuing, annual ad valorem tax, without legal limit as to rate or amount, on all taxable property within the District, sufficient to pay principal of and interest on the Bonds issued for the Utility System, and any additional tax bonds when due and to pay the expenses necessary in collecting taxes. Texas law and the Bond Orders provide that in the event that the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make debt service payments, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Orders, any Bondholder shall be entitled at any time to a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board to observe and perform any covenant, obligation, or condition prescribed by the Bond Orders. Such right is in addition to all other rights the Bondholders may be provided by the laws of the State of Texas.

Except for mandamus, the Bond Orders do not specifically provide for remedies to a Bondholder in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Bondholders. There is no acceleration of maturity of the Bonds in the event of default. Consequently, the remedy of mandamus is a remedy which may have to be relied upon from year to year by the Bondholders. Even if the Bondholders could obtain a judgment against the District, such judgment could not be enforced by direct levy and execution against the District's property. Further, the Bondholders cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Certain traditional legal remedies also may be unavailable. The enforceability of the rights and remedies of the Bondholders may be further limited by federal bankruptcy laws, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See "Bankruptcy Limitation to Bondholders' Rights" below.

### **Bankruptcy Limitation to Bondholders' Rights**

Other than a writ of mandamus and other relief authorized by law, the Bond Orders do not expressly provide a specific remedy for a default. Even if a Bondholder could obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, a Bondholder could petition for a writ of mandamus issued by a court of competent jurisdiction requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim

for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principals of equity. See “RISK FACTORS – Bondholders’ Remedies,” and “RISK FACTORS – Bankruptcy Limitation to Bondholders’ Rights.”

### Short Term Debt

In connection with the Utility Bonds, the District has issued its \$4,165,000 Bond Anticipation Note, Series 2021 (the “BAN”), dated August 24, 2021, for the partial reimbursement of costs as set forth under “THE BONDS - Use and Distribution of Bond Proceeds.” The BAN accrues interest at a rate of 3% per year (computed on the basis of a 360-day year and the actual days elapsed) and matures on August 23, 2022. Proceeds from the Bonds will redeem the BAN prior to maturity.

### Use and Distribution of Utility Bond Proceeds

A portion of the proceeds from the sale of the Utility Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse the Developer (hereinafter defined) for a portion of the following: (i) wastewater treatment plant share and one (1) of lease payments; (ii) purchased water capacity from Fort Bend County Municipal Utility District No. 131; (iii) phase 1 of water plant No. 1; (iv) phase 1 of wastewater treatment plant No. 1; (v) engineering fees related to water plant No. 1 and wastewater treatment plant No. 1; (vi) SWPPP and testing fees; (vii) land acquisition; and (viii) operating advances. In addition, a portion of the proceeds from the Bonds will be used to pay developer interest, twelve (12) months of capitalized interest on the Utility Bonds, BAN interest, and certain other costs associated with the issuance of the Bonds.

| Construction Costs                                        | <u>Total Amount</u> | <u>Developer Share</u> | <u>District Share</u> |
|-----------------------------------------------------------|---------------------|------------------------|-----------------------|
| A. Developer Contribution Items                           |                     |                        |                       |
| 1. WWTP Share <sup>1</sup>                                |                     |                        |                       |
| a. Water                                                  | \$ -                | \$ -                   | \$ -                  |
| b. Sanitary                                               | \$ 486,125.15       | \$ -                   | \$ 486,125.15         |
| c. Drainage                                               | \$ -                | \$ -                   | \$ -                  |
| d. Miscellaneous - Estimate of 1 year of Lease Payments   | \$ 99,521.04        | \$ -                   | \$ 99,521.04          |
| Subtotal                                                  | \$ 585,646.19       | \$ -                   | \$ 585,646.19         |
| 2. Purchased Water Capacity from FBC MUD 131 <sup>2</sup> |                     |                        |                       |
| a. Water                                                  | \$1,416,000.00      | \$ -                   | \$1,416,000.00        |
| b. Sanitary                                               | \$ -                | \$ -                   | \$ -                  |
| c. Drainage                                               | \$ -                | \$ -                   | \$ -                  |
| d. Miscellaneous                                          | \$ -                | \$ -                   | \$ -                  |
| Subtotal                                                  | \$1,416,000.00      | \$ -                   | \$1,416,000.00        |
| 3. Water Plant No. 1 Phase I <sup>3</sup>                 |                     |                        |                       |
| a. Water                                                  | \$3,258,865.00      | \$ -                   | \$3,258,865.00        |
| b. Sanitary                                               | \$ -                | \$ -                   | \$ -                  |
| c. Drainage                                               | \$ -                | \$ -                   | \$ -                  |
| d. Miscellaneous                                          | \$ 12,000.00        | \$ -                   | \$ 12,000.00          |
| Subtotal                                                  | \$3,270,865.00      | \$ -                   | \$3,270,865.00        |
| 4. Wastewater Treatment Plant No. 1 Phase I <sup>4</sup>  |                     |                        |                       |
| a. Water                                                  | \$ -                | \$ -                   | \$ -                  |
| b. Sanitary                                               | \$1,059,488.32      | \$ -                   | \$1,059,488.32        |
| c. Drainage                                               | \$ -                | \$ -                   | \$ -                  |
| d. Miscellaneous                                          | \$ 59,750.00        | \$ -                   | \$ 59,750.00          |
| Subtotal                                                  | \$1,119,238.32      | \$ -                   | \$1,119,238.32        |



|    |                                                        |                       |             |                       |
|----|--------------------------------------------------------|-----------------------|-------------|-----------------------|
| 5. | Engineering Fees                                       |                       |             |                       |
| a. | Water Plant No. 1 Phase I <sup>5</sup>                 | \$ 322,220.26         | \$ -        | \$ 322,220.26         |
| b. | Wastewater Treatment Plant No. 1 Phase I <sup>6</sup>  | \$ 109,251.53         |             | \$ 109,251.53         |
|    | Subtotal                                               | \$ 431,471.79         | \$ -        | \$ 431,471.79         |
| 6. | SWPPP Fees                                             |                       |             |                       |
| a. | Water Plant No. 1 Phase I <sup>7</sup>                 | \$ 2,050.00           | \$ -        | \$ 2,050.00           |
| b. | Wastewater Treatment Plant No. 1 Phase I <sup>8</sup>  | \$ 1,137.50           |             | \$ 1,137.50           |
|    | Subtotal                                               | \$ 3,187.50           | \$ -        | \$ 3,187.50           |
| 7. | Testing Fees                                           |                       |             |                       |
| a. | Water Plant No. 1 Phase I <sup>9</sup>                 | \$ 13,043.50          | \$ -        | \$ 13,043.50          |
| b. | Wastewater Treatment Plant No. 1 Phase I <sup>10</sup> | \$ 11,044.50          |             | \$ 11,044.50          |
|    | Subtotal                                               | \$ 24,088.00          | \$ -        | \$ 24,088.00          |
| 8. | Land Acquisition <sup>11</sup>                         |                       |             |                       |
| a. | Water Supply Plant No. 1 - 2.089 Acres                 | \$ 73,991.81          | \$ -        | \$ 73,991.81          |
| b. | Wastewater Treatment Plant No. 1 - 3.516 Acres         | \$ 124,774.68         | \$ -        | \$ 124,774.68         |
|    | Subtotal                                               | \$ 198,766.50         | \$ -        | \$ 198,766.50         |
|    | <b>Total Developer Contribution Items</b>              | <b>\$7,049,263.30</b> | <b>\$ -</b> | <b>\$7,049,263.30</b> |
|    | <b>Total Construction Costs</b>                        | <b>\$7,049,263.30</b> | <b>\$ -</b> | <b>\$7,049,263.30</b> |

#### Non-Construction Costs

|     |                                                            |  |                       |
|-----|------------------------------------------------------------|--|-----------------------|
| 1.  | Legal Fees                                                 |  |                       |
| a.  | Bond Issue                                                 |  | \$ 148,600.00         |
| b.  | BAN                                                        |  | \$ 45,815.00          |
| 2.  | Fiscal Agent Fees                                          |  |                       |
| a.  | Bond Issue                                                 |  | \$ 88,600.00          |
| b.  | BAN                                                        |  | \$ 35,000.00          |
| 3.  | Interest Costs                                             |  |                       |
| a.  | Capitalized Interest (1 years @ 4.5%)                      |  | \$ 398,700.00         |
| b.  | Developer Interest (up to 5 years @ 4.5%)                  |  | \$ 344,716.02         |
| c.  | BAN Interest (1 year @ 3%)                                 |  | \$ 124,950.00         |
| 4.  | Bond Discount (3%)                                         |  | \$ 265,800.00         |
| 5.  | Developer Advances                                         |  | \$ 148,000.00         |
| 6.  | Bond Issuance Expenses                                     |  | \$ 51,854.46          |
| 7.  | BAN Issuance Expenses                                      |  | \$ 18,626.81          |
| 8.  | Bond Application Costs                                     |  | \$ 35,000.00          |
| 9.  | Creation Costs                                             |  | \$ 74,064.41          |
| 10. | Attorney General's Fee (0.10% up to \$9,500) <sup>12</sup> |  | \$ 8,860.00           |
| 11. | TCEQ Bond Issue Fee (0.25%) <sup>13</sup>                  |  | \$ 22,150.00          |
|     | <b>Total Non-Construction Costs</b>                        |  | <b>\$1,810,736.70</b> |
|     | <b>Total Bond Issue Requirement</b>                        |  | <b>\$8,860,000.00</b> |

1. The construction cost is based on the agreement and cost allocation dated 2/28/2020 (\$486,125.15). The lease estimate is based on 52.49% of a \$15,800 /month fee for 12 months as per the updated cost allocation dated 2/28/2020.
2. Water capacity was purchased from FBC MUD No. 131.
3. Construction costs were paid to W.W. Payton Corporation and were based on original contract amount (\$3,250,000) plus change order #1 (\$36,300) minus final adjustments for a total of \$3,270,865). The District is requesting 100% of construction costs in this application.
4. Construction costs were based on the original contract amount (\$1,119,238.32). The District is requesting 100% of construction costs in this application. Developer advance payments were used to cover the initial payments for first and last months' lease on the WWTP, but future monthly lease payments will be sought in a future bond application.
5. Engineering fees were paid to LJA Engineering, Inc. and were based on original contract amount (\$323,425) minus final adjustments. The District is requesting 100% of engineering fees in this application.
6. Engineering fees were paid to LJA Engineering, Inc. and were based on original contract amount (\$116,400) minus final adjustments. The District is requesting 100% of construction costs in this application.
7. SWPPP fees were paid to Earthworks Environmental, LLC. and were based on original contract amount (\$5,500) minus final adjustments. The District is requesting 100% of SWPPP fees in this application.
8. SWPPP fees were paid to Earthworks Environmental LLC and were based on the original contract price (\$2,100) minus final adjustments. The District is requesting 100% of construction costs in this application.
9. Testing fees were paid to Alpha Testing, Inc. and were based on original contract amount (\$14,807) minus final adjustments. The District is requesting 100% of testing fees in this application.
10. Testing fees were paid to Alpha Testing Inc. and were based on the original contract price (\$12,989) minus final adjustments. The District is requesting 100% of construction costs in this application.
11. Land acquisition costs were based on the HUD provided by DR Horton for the land noted indicating a cost of \$35,487.68 /acre.
12. The attorney general's fee is calculated as 10% of the bond issue requirement up to \$9,500, but no less than \$750.
13. All bond issue applications approved by the TCEQ are subject to a fee equal to 0.25% of the bond issue requirement. See Commission Rule 293.45(b).

Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses in accordance with the rules of the TCEQ. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

#### Use and Distribution of Road Bond Proceeds

A portion of the proceeds from the sale of the Road Bonds will be used to reimburse the Developer (hereinafter defined) for a portion of the following: (i) Southern Colony II, Section 1B; (ii) Southern Colony II, Section 2; (iii) Southern Colony II, Section 3; (iv) SWPPP and testing fees; and (v) land acquisition. In addition, a portion of the proceeds from the Bonds will be used to pay developer interest, twelve (12) months of capitalized interest on the Road Bonds, and certain other costs associated with the issuance of the Bonds.

| Construction Costs                                                            | Total Amount  | Developer Share | District Share |
|-------------------------------------------------------------------------------|---------------|-----------------|----------------|
| <b>A. Developer Contribution Items</b>                                        |               |                 |                |
| 1. Paving & Appurtenances to Serve Southern Colony II Section 1B <sup>1</sup> |               |                 |                |
| a. Paving                                                                     | \$ 646,216.50 | \$ -            | \$ 646,216.50  |
| b. Miscellaneous                                                              | \$ 12,029.00  | \$ -            | \$ 12,029.00   |
| Subtotal                                                                      | \$ 658,245.50 | \$ -            | \$ 658,245.50  |
| 2. Paving & Appurtenances to Serve Southern Colony II Section 2 <sup>2</sup>  |               |                 |                |
| a. Paving                                                                     | \$ 734,514.40 | \$ -            | \$ 734,514.40  |
| b. Miscellaneous                                                              | \$ 18,478.00  | \$ -            | \$ 18,478.00   |
| Subtotal                                                                      | \$ 752,992.40 | \$ -            | \$ 752,992.40  |
| 3. Paving & Appurtenances to Serve Southern Colony II Section 3 <sup>3</sup>  |               |                 |                |
| a. Paving                                                                     | \$ 831,636.80 | \$ -            | \$ 831,636.80  |
| b. Miscellaneous                                                              | \$ 16,009.00  | \$ -            | \$ 16,009.00   |
| Subtotal                                                                      | \$ 847,645.80 | \$ -            | \$ 847,645.80  |
| 4. Engineering Fees <sup>4</sup>                                              |               |                 |                |
| a. Paving & Appurtenances to Serve Southern Colony II Section 1B <sup>5</sup> | \$ 136,176.00 | \$ -            | \$ 136,176.00  |
| b. Paving & Appurtenances to Serve Southern Colony II Section 2               | \$ 128,789.98 | \$ -            | \$ 128,789.98  |

|    |                                                               |                       |           |          |                       |
|----|---------------------------------------------------------------|-----------------------|-----------|----------|-----------------------|
| c. | Paving & Appurtenances to Serve Southern Colony II Section 3  | \$ 145,963.23         | \$        | -        | \$ 145,963.23         |
|    | Subtotal                                                      | \$ 410,929.21         | \$        | -        | \$ 410,929.21         |
| 5. | SWPPP Fees <sup>6</sup>                                       |                       |           |          |                       |
| a. | Paving & Appurtenances to Serve Southern Colony II Section 1B | \$ 16,042.50          | \$        | -        | \$ 16,042.50          |
| b. | Paving & Appurtenances to Serve Southern Colony II Section 2  | \$ 23,751.25          | \$        | -        | \$ 23,751.25          |
| c. | Paving & Appurtenances to Serve Southern Colony II Section 3  | \$ 25,477.00          | \$        | -        | \$ 25,477.00          |
|    | Subtotal                                                      | \$ 65,270.75          | \$        | -        | \$ 65,270.75          |
| 6. | Testing Fees <sup>7</sup>                                     |                       |           |          |                       |
| a. | Paving & Appurtenances to Serve Southern Colony II Section 1B | \$ 16,377.00          | \$        | -        | \$ 16,377.00          |
| b. | Paving & Appurtenances to Serve Southern Colony II Section 2  | \$ 31,140.00          | \$        | -        | \$ 31,140.00          |
| c. | Paving & Appurtenances to Serve Southern Colony II Section 3  | \$ 29,719.00          | \$        | -        | \$ 29,719.00          |
|    | Subtotal                                                      | \$ 77,236.00          | \$        | -        | \$ 78,236.00          |
| 7. | Land Acquisition <sup>8</sup>                                 |                       |           |          |                       |
| a. | Paving & Appurtenances to Serve Southern Colony II Section 1B | \$ 135,917.81         | \$        | -        | \$ 135,917.81         |
| b. | Paving & Appurtenances to Serve Southern Colony II Section 2  | \$ 184,535.94         | \$        | -        | \$ 184,535.94         |
| c. | Paving & Appurtenances to Serve Southern Colony II Section 3  | \$ 204,054.16         |           |          | \$ 204,054.16         |
|    | Subtotal                                                      | \$ 524,507.91         | \$        | -        | \$ 524,507.91         |
|    | <b>Total Developer Contribution Items</b>                     | <b>\$3,336,827.57</b> | <b>\$</b> | <b>-</b> | <b>\$3,336,827.57</b> |
|    | <b>Total Construction Costs</b>                               | <b>\$3,336,827.57</b> | <b>\$</b> | <b>-</b> | <b>\$3,336,827.57</b> |

#### Non-Construction Costs

|    |                                                           |                       |
|----|-----------------------------------------------------------|-----------------------|
| 1. | Legal Fees                                                | \$ 90,000.00          |
| 2. | Fiscal Agent Fees                                         | \$ 40,000.00          |
| 3. | Interest Costs                                            |                       |
| a. | Developer Interest (up to 5 years @ 4.5%)                 | \$ 201,394.78         |
| b. | Capitalized Interest (1 year @ 4.5%)                      | \$ 180,000.00         |
| 4. | Bond Discount (2%)                                        | \$ 80,000.00          |
| 5. | Bond Issuance Expenses                                    | \$ 52,777.65          |
| 6. | Bond Application Costs                                    | \$ 15,000.00          |
| 7. | Attorney General's Fee (0.10% up to \$9,500) <sup>9</sup> | \$ 4,000.00           |
|    | <b>Total Non-Construction Costs</b>                       | <b>\$ 663,172.43</b>  |
|    | <b>Total Bond Issue Requirement</b>                       | <b>\$4,000,000.00</b> |

- The construction costs paid to Clearwater Utilities, Inc. were based on the original contract amount (\$1,898,533.41) minus the WSD portion of the contract (\$1,194,593.70), which equals the paving portion of the contract (\$703,939.10), minus final quantity adjustments. The amount requested reflects 100% of the paving portion or approximately 38.78% of the invoiced amount. This project was originally privately bid. An appraisal in the amount of \$748,879 was obtained on 3/30/2022 in order to reimburse the construction costs. As a result of being privately bid, this project is not eligible for a developer's interest reimbursement on construction costs. The District is requesting reimbursement of 100% of this project's paving construction costs, not to exceed the appraisal amount.
- The construction costs paid to Dimas Brothers Construction were based on the original contract amount (\$2,076,900.68) minus the WSD portion (\$1,276,502.28), which is the paving portion of the contract (\$800,398.40), minus final quantity adjustments. The amount requested reflects 100% of the paving portion or approximately 38.12% of the invoiced total.
- The construction costs were based on the original contract amount (\$2,486,357.76) minus the WSD portion (\$1,618,026.30), which is the paving portion of the contract (\$868,331.45), minus final quantity adjustments. The amount requested reflects 100% of the paving portion or approximately 34.39% of the invoiced total.

4. All engineering invoices were paid to LJA Engineering, Inc.
5. The engineering invoices paid to LJA Engineering, Inc. for this project were for Southern Colony II Section 1A and Southern Colony II Section 1B together. They contain the paving portion only and do not require proration. Construction costs, SWPPP fees and testing fees for Southern Colony II Section 1A will be requested in a future bond application, however, engineering fees for Southern Colony II Section 1A are being requested in this application with Southern Colony II Section 1B. The District is requesting 100% of the engineering fees for Southern Colony II Section 1A and Southern Colony II Section 1B in its application.
6. The SWPPP invoices were paid to Storm Water Solutions.
7. The testing invoices were paid to Alpha Testing, Inc
8. Land acquisition costs were based on the HUD provided by DR Horton for the land noted indicating a cost of \$35,487.68 /acre.
9. The attorney general's fee is calculated as 10% of the bond issue requirement up to \$9,500, but no less than \$750.

Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses in accordance with the rules of the TCEQ. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

## **THE DISTRICT**

### **Authority**

The District is a municipal utility district created by acts of the 86<sup>th</sup> Texas Legislature, codified as Chapter 8076, Special District Local Laws Code, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies partially within the extra-territorial jurisdiction ("ETJ") of the City, and partially within no city's ETJ or corporate limits, is subject to the continuing supervisory jurisdiction of the TCEQ.

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

### **Description**

The District is 652.626 acres located in the southeast Houston metropolitan area, approximately 21 miles southwest of downtown Houston and approximately 3 miles south of the intersection of Texas State Highway 6 and FM 521. The District is in the William Hall Survey, Abstract 31, in Fort Bend County, Texas, the William Hall Survey, Abstract 713 in Brazoria County, Texas, as well as the H.T.&B. R.R. Co. Lot 68, Abstract 561 in Brazoria County, Texas. The property lies partially within the ETJ of the City, and partially within no city's ETJ or corporate limits.

### **Management of the District**

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

| Name            | Position        | Term Expires May |
|-----------------|-----------------|------------------|
| Corinne Haworth | President       | 2024             |
| Julie Winkle    | Vice President  | 2022             |
| Darby Kent      | Secretary       | 2024             |
| Bret Fugate     | Asst. Secretary | 2022             |
| Alexa Ignasiak  | Asst. Secretary | 2024             |

### **Investment Policy**

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFI Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance

Corporation and secured by collateral authorized by the PFI Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

### **Consultants**

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

*Bond Counsel and General Counsel:* The District has engaged Coats Rose, P.C., Houston, Texas, as general counsel to the District and as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See “LEGAL MATTERS.”

*Disclosure Counsel:* Orrick, Herrington & Sutcliffe LLP, Houston, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

*Financial Advisor:* Tierra Financial Advisors, LLC is engaged as financial advisor to the District in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement. Tierra Financial Advisors, LLC is a wholly owned subsidiary of D.R. Horton. See “RELATIONSHIP AMONG THE PARTIES” herein.

*Tax Assessor/Collector:* The tax assessor/collector for the District is Utility Tax Service, LLC (the “Tax Assessor/Collector”).

*Bookkeeper:* The District’s bookkeeper is Myrtle Cruz, Inc. (the “Bookkeeper”).

*Auditor:* The District engaged McGrath & Co., PLLC to audit its financial statements for the fiscal year ended March 31, 2021. McGrath & Co., PLLC was not requested to perform any updating procedures subsequent to the date of its audit opinion on the March 31, 2021, financial statements. See “APPENDIX A – Financial Statements of the District.”

*Engineer:* The District’s engineer is LJA Engineering (the “Engineer”).

## **DEVELOPMENT OF THE DISTRICT**

### **Status of Development within the District**

The District is being developed as Caldwell Ranch, a single family residential community. Development in the District currently includes 1,190 single-family residential lots on approximately 245 acres. As of April 19, 2022, the District consisted of 558 completed homes (529 occupied, 8 model homes and 21 unoccupied and unsold), 204 homes under construction (126 contracted for sale and 78 unsold), and 428 vacant developed lots. Homes in the District range in price from approximately \$294,000 to \$310,000.

In addition to the development described above, the Developer is in the process of constructing a recreation center which will have a pool, restrooms and open spaces on approximately 11 acres in the District. The District includes approximately 83 developable acres that have not been provided with water distribution, sanitary sewer and storm drainage facilities. The remainder of the District is comprised of approximately 244 acres of street right-of-way, easements, drainage, floodway, open spaces and utility sites, including the 4.3 acres devoted to the recreation center.

### **Homebuilder within the District**

D.R. Horton is currently building single-family homes in the District. Homes in the District range in price from approximately \$294,000 to \$310,000 and in size from approximately 1,300 to over 2,300 square feet. See “PRINCIPAL LANDOWNER/DEVELOPER.”

## PHOTOGRAPHS OF THE DISTRICT





**PHOTOGRAPHS TAKEN IN THE DISTRICT**



## **PRINCIPAL LANDOWNER/DEVELOPER**

### **Role of the Developer**

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent (30%) of the cost of constructing certain of the water, wastewater, and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Neither the Developer (herein defined), nor any affiliate entities, are obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developer, nor any affiliate entities, have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

### **The Developer and Principal Landowner**

The Developer is a subsidiary of and controlled by D.R. Horton, Inc. which is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for D.R. Horton, Inc. can be found online at <https://investor.drhorton.com>. D.R. Horton, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by D.R. Horton, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

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

258 Colony Investments, LLC ("258 Colony") is a principal landowner within the District. Developer has an exclusive option to purchase all of the land in the District from 258 Colony and has to date purchased approximately 622 acres of total project acreage of approximately 652 acres.



## THE UTILITY SYSTEM

### Regulation

According to the engineering plans, the Utility System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City, Brazoria County, Fort Bend County, the Fort Bend Drainage District, Brazoria Drainage District No. 4 and Brazoria Drainage District No. 5, as necessary.

The District, which lies partially within the ETJ of the City, is subject to the continuing supervisory jurisdiction of the TCEQ.

Operation of the Utility System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The total number of equivalent single-family connections (“ESFCs”) estimated at this time for the District upon the full development of its approximately 565.339 acres is approximately 1,396 with a total estimated population of 4,100. The following descriptions are based upon information supplied by the District’s Engineer.

### Water Supply

*Groundwater:* The District currently obtains its water from capacity purchased in Fort Bend County Municipal Utility District No. 131’s (“MUD 131”) water plant, which obtains its water supply from groundwater. The District entered into a Joint Water Supply Agreement dated October 22, 2019 with MUD 131 to purchase 400 ESFCs of water capacity in their MUD 131 plant. The Fort Bend County Subsidence District issues permits for the water plant in MUD 131 and has permitted groundwater withdrawal sufficient in the volume to serve MUD 131 and the capacity purchased by the District. The District has also constructed its own water supply plant to serve the remainder of the connections in the District.

*Surface Water:* This District lies within the boundaries of the Fort Bend Subsidence District (“FBSD”). The FBSD regulates groundwater withdrawal via annual permit to authorize the District to pump groundwater. The FBSD intends to reduce the use of groundwater through conversion to alternative water sources, such as surface water, through its District Regulatory Plan. According to the District Regulatory Plan, the District is subject to disincentive fees for non-compliance. The District joined the North Fort Bend Water Authority (“NFBWA”) Groundwater Reduction Plan (“GRP”) for continued compliance with the District Regulatory Plan on May 26, 2021.

### Wastewater Treatment

The District has entered into an agreement, the “First Amended and Restated Wastewater Treatment Facilities Agreement,” dated November 15, 2019, with MUD 131 and Fort Bend County Municipal Utility District No. 189 (“FBMUD 189”), whereby the WWTP will be expanded to 640,000 gpd (“Phase III Expansion”), of which 240,000 gpd will be allotted to the District. Following the completion of the Phase III Expansion, to serve 1206 connections, of which 400 connections will be allotted to the District.

The remaining connections in the District will be served by a package wastewater treatment plant located within the District (“WWTP”) leased from AUC Group, L.P. Phase I of the WWTP (“Phase II Expansion”) was completed in January 2022 and the current capacity of the WWTP is 250,000 gpd, which is sufficient to serve 800 ESFCs. The ultimate phase of the WWTP will serve 1,600 ESFCs which will be sufficient to serve the rest of the District.

### Storm Water Drainage

*Natural Drainage:* In undeveloped state, the land in the District sheet flows in an east-southeast direction to the West Fork of Chocolate Bayou. Detention ponds were constructed within the District to provide a point of outfall for internal storm sewers. The detention ponds ultimately outfall into the West Fork of Chocolate Bayou. Chocolate Bayou outfalls into the Galveston Bay.

*Drainage System Improvements:* Detention ponds were constructed to collect storm water runoff from the residential sections. The detention ponds outfall to the West Fork of Chocolate Bayou and ultimately into Galveston Bay.

### 100-Year Flood Plain

The District land is outside the 100-year flood plain according to FEMA Floodplain Maps panel 48039C0105K dated December 30, 2020 for Brazoria County and 48157C0455L dated April 2, 2014 for Fort Bend County.

**General Fund Operating Statement**

The following is a summary of the District's general fund activity for the fiscal year ended March 31, 2021 and for the period ended March 31, 2022. The summary has been prepared by the Financial Advisor based upon information obtained from the District's audited financial statements and from information provided from the District's bookkeeper. Reference is made to such statements for further and more complete information. See "APPENDIX A – Financial Statements of the District."

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## General Fund Revenues, Expenditures and Changes in Fund Balance

|                                    | Unaudited<br>March 31, 2022 <sup>(a)</sup> | March 31, 2021    |
|------------------------------------|--------------------------------------------|-------------------|
| <b>Revenues:</b>                   |                                            |                   |
| Water service                      | \$ 233,635                                 | \$ 13,388         |
| Sewer service                      | 175,031                                    | 15,248            |
| Property taxes                     | 265,000                                    | 50,466            |
| Penalties and interest             | -                                          | 503               |
| Groundwater reduction plan fees    | 144,872                                    | 5,186             |
| Tap connection and inspection      | 1,102,307                                  | 243,682           |
| Miscellaneous                      | -                                          | 8,389             |
| Investment earnings                | -                                          | 65                |
| <b>TOTAL REVENUES</b>              | <b>\$1,920,845</b>                         | <b>\$ 336,927</b> |
| <b>Expenditures:</b>               |                                            |                   |
| Current Service Operations         |                                            |                   |
| Purchased services                 | 432,258                                    | \$ 46,721         |
| Professional fees                  | 101,820                                    | 112,682           |
| Contracted services                | 336,609                                    | 121,093           |
| Repairs and maintenance            | 224,684                                    | 21,210            |
| Administrative                     | 59,104                                     | 19,826            |
| Other                              | 2,668                                      | 200               |
| <b>TOTAL EXPENDITURES</b>          | <b>\$1,157,142</b>                         | <b>\$ 321,732</b> |
| Revenues Over (Under) Expenditures | \$ 763,703                                 | \$ 15,195         |
| Developer Advances                 | \$ -                                       | \$ 148,000        |
| Fund Balance, Beginning of Year    | \$ 163,195                                 |                   |
| Net Change in Fund Balance         | \$ 926,898                                 | \$ 163,195        |
| Fund Balance, End of Year          | <b>\$1,090,093</b>                         | <b>\$ 163,195</b> |

(a) Unaudited. From the District's bookkeeper.

## THE ROAD SYSTEM

The road system currently includes two collector streets named Caldwell Ranch Boulevard and Waller Crossing Drive. Caldwell Ranch Boulevard currently connects west to FM 521 and will connect east to CR 48 in the future to provide access to and from the District.

Internal circulation within the different subdivisions is provided by the local streets connecting to Waller Crossing Drive.

All streets throughout the District have been designed and constructed according to the design criteria and specifications established by the City and Fort Bend County. Streets have been constructed with reinforced concrete pavement with curbs on lime stabilized subgrade. Fort Bend County is responsible for ongoing maintenance of public roads in the District.

*[Remainder of this page intentionally left blank.]*

## DISTRICT DEBT

|                                                                                                                                                                     |                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 2021 Certified Assessed Valuation                                                                                                                                   | \$ 19,296,210 (a)     |
| Estimated Assessed Valuation as of April 1, 2022                                                                                                                    | \$ 136,924,128 (b)    |
| Direct Debt:                                                                                                                                                        |                       |
| The Utility Bonds                                                                                                                                                   | \$ 8,860,000          |
| The Road Bonds                                                                                                                                                      | <u>\$ 4,000,000</u>   |
| Total                                                                                                                                                               | \$ 12,860,000         |
| Estimated Overlapping Debt                                                                                                                                          | <u>\$ 870,334 (c)</u> |
| Total Direct and Estimated Overlapping Debt                                                                                                                         | \$ 13,730,334 (c)     |
| Direct Debt Ratio:                                                                                                                                                  |                       |
| As a percentage of 2021 Certified Assessed Valuation                                                                                                                | 66.65%                |
| As a percentage of Estimated Assessed Valuation as of April 1, 2022                                                                                                 | 9.39%                 |
| Direct and Estimated Overlapping Debt Ratio:                                                                                                                        |                       |
| As a percentage of 2021 Certified Assessed Valuation                                                                                                                | 71.16%                |
| As a percentage of Estimated Assessed Valuation as of April 1, 2022                                                                                                 | 10.03%                |
| Operating Fund (as of as of March 1, 2022)                                                                                                                          | \$ 794,539            |
| Utility Bond Debt Service Fund                                                                                                                                      | \$ 413,000 (d)        |
| Road Bond Debt Service Fund                                                                                                                                         | \$ 190,788 (e)        |
| 2021 Tax Rate:                                                                                                                                                      |                       |
| Utility System Debt Service                                                                                                                                         | -                     |
| Road System Debt Service                                                                                                                                            | -                     |
| Maintenance & Operations                                                                                                                                            | <u>\$ 1,500</u>       |
| Total                                                                                                                                                               | \$ 1,500              |
| Average Annual Debt Service Requirements on the Utility Bonds (2023 - 2047)                                                                                         | \$ 587,684 (f)        |
| Maximum Annual Debt Service Requirements on the Utility Bonds (2024)                                                                                                | \$ 621,013 (f)        |
| Utility System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay<br>Average Annual Debt Service Requirement on the Utility Bonds (2023 - 2047): |                       |
| Based on 2021 Certified Assessed Valuation at 95% Collections                                                                                                       | \$ 3.21               |
| Based on Estimated Assessed Valuation as of April 1, 2022, at 95% Collections                                                                                       | \$ 0.45               |
| Utility System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay<br>Maximum Annual Debt Service Requirement on the Utility Bonds (2023 - 2047): |                       |
| Based on 2021 Certified Assessed Valuation at 95% Collections                                                                                                       | \$ 3.39               |
| Based on Estimated Assessed Valuation as of April 1, 2022, at 95% Collections                                                                                       | \$ 0.48               |
| Average Annual Debt Service Requirements on the Road Bonds (2023 - 2047)                                                                                            | \$ 267,291 (g)        |
| Maximum Annual Debt Service Requirements on the Road Bonds (2024)                                                                                                   | \$ 282,938 (g)        |
| Road System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay<br>Average Annual Debt Service Requirement on the Road Bonds (2023 - 2047):       |                       |
| Based on 2021 Certified Assessed Valuation at 95% Collections                                                                                                       | \$ 1.46               |
| Based on Estimated Assessed Valuation as of April 1, 2022, at 95% Collections                                                                                       | \$ 0.21               |
| Road System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay<br>Maximum Debt Service Requirement on the Road Bonds (2023 - 2047):              |                       |
| Based on 2021 Certified Assessed Valuation at 95% Collections                                                                                                       | \$ 1.54               |
| Based on Estimated Assessed Valuation as of April 1, 2022, at 95% Collections                                                                                       | \$ 0.22               |

- 
- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2021, provided by the Brazoria County Appraisal District and the Fort Bend Central Appraisal District (collectively, the "Appraisal Districts"). See "TAX DATA" and "TAXING PROCEDURES."
  - (b) Provided by the Appraisal Districts for information purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of January 1, 2021, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2021, to April 1, 2022. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
  - (c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
  - (d) Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. The funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Utility Bonds, and any other bonds issued for the purpose of acquiring or constructing the Utility System. The Utility Bonds include twelve (12) months of capitalized interest which will be deposited into the Utility System Debt Service Fund.
  - (e) Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. The funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Road Bonds, and any other bonds issued for the purpose of acquiring or constructing the Road System. The Road Bonds include twelve (12) months of capitalized interest which will be deposited into the Road System Debt Service Fund.
  - (f) See "DISTRICT DEBT – Estimated Utility System Debt Service Requirement Schedule."
  - (g) See "DISTRICT DEBT – Estimated Road System Debt Service Requirement Schedule."

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### Utility System Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements on the Utility Bonds, plus the principal and interest requirements on the Utility Bonds.

| Year Ending<br>12/31 | Outstanding<br>Utility System<br>Debt Service (a) | The Utility Bonds |              |              | Total<br>Debt Service |
|----------------------|---------------------------------------------------|-------------------|--------------|--------------|-----------------------|
|                      |                                                   | Principal         | Interest     | Debt Service |                       |
| 2023                 | \$ -                                              | \$ -              | \$ 500,189   | \$ 500,189   | \$ 500,189            |
| 2024                 | -                                                 | 215,000           | 406,013      | 621,013      | 621,013               |
| 2025                 | -                                                 | 220,000           | 391,875      | 611,875      | 611,875               |
| 2026                 | -                                                 | 230,000           | 377,250      | 607,250      | 607,250               |
| 2027                 | -                                                 | 245,000           | 361,813      | 606,813      | 606,813               |
| 2028                 | -                                                 | 255,000           | 345,563      | 600,563      | 600,563               |
| 2029                 | -                                                 | 265,000           | 328,663      | 593,663      | 593,663               |
| 2030                 | -                                                 | 275,000           | 311,113      | 586,113      | 586,113               |
| 2031                 | -                                                 | 290,000           | 293,475      | 583,475      | 583,475               |
| 2032                 | -                                                 | 300,000           | 275,775      | 575,775      | 575,775               |
| 2033                 | -                                                 | 315,000           | 260,475      | 575,475      | 575,475               |
| 2034                 | -                                                 | 330,000           | 247,575      | 577,575      | 577,575               |
| 2035                 | -                                                 | 345,000           | 234,075      | 579,075      | 579,075               |
| 2036                 | -                                                 | 360,000           | 219,975      | 579,975      | 579,975               |
| 2037                 | -                                                 | 375,000           | 205,275      | 580,275      | 580,275               |
| 2038                 | -                                                 | 395,000           | 189,875      | 584,875      | 584,875               |
| 2039                 | -                                                 | 410,000           | 173,775      | 583,775      | 583,775               |
| 2040                 | -                                                 | 430,000           | 156,975      | 586,975      | 586,975               |
| 2041                 | -                                                 | 450,000           | 139,375      | 589,375      | 589,375               |
| 2042                 | -                                                 | 470,000           | 120,975      | 590,975      | 590,975               |
| 2043                 | -                                                 | 490,000           | 101,775      | 591,775      | 591,775               |
| 2044                 | -                                                 | 515,000           | 81,353       | 596,353      | 596,353               |
| 2045                 | -                                                 | 535,000           | 59,697       | 594,697      | 594,697               |
| 2046                 | -                                                 | 560,000           | 36,763       | 596,763      | 596,763               |
| 2047                 | -                                                 | 585,000           | 12,431       | 597,431      | 597,431               |
| Total                | \$ -                                              | \$ 8,860,000      | \$ 5,832,095 | \$14,692,095 | \$14,692,095          |

(a) The District does not have any outstanding Utility System debt service as of May 1, 2022.

|                                                                         |            |
|-------------------------------------------------------------------------|------------|
| Average Annual Debt Service Requirements on Utility Bonds (2023 - 2047) | \$ 587,684 |
| Maximum Annual Debt Service Requirements on the Utility Bonds (2024)    | \$ 621,013 |

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## Road System Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements on the Road Bonds, plus the principal and interest requirements on the Road Bonds.

| Year Ending<br>12/31 | Outstanding<br>Road System<br>Debt Service (a) | The Road Bonds |             |              | Total<br>Debt Service |
|----------------------|------------------------------------------------|----------------|-------------|--------------|-----------------------|
|                      |                                                | Principal      | Interest    | Debt Service |                       |
| 2023                 | \$ -                                           | \$ -           | \$ 231,065  | \$ 231,065   | \$ 231,065            |
| 2024                 | -                                              | 95,000         | 187,938     | 282,938      | 282,938               |
| 2025                 | -                                              | 100,000        | 181,838     | 281,838      | 281,838               |
| 2026                 | -                                              | 105,000        | 175,175     | 280,175      | 280,175               |
| 2027                 | -                                              | 110,000        | 168,188     | 278,188      | 278,188               |
| 2028                 | -                                              | 115,000        | 160,875     | 275,875      | 275,875               |
| 2029                 | -                                              | 120,000        | 153,238     | 273,238      | 273,238               |
| 2030                 | -                                              | 125,000        | 145,275     | 270,275      | 270,275               |
| 2031                 | -                                              | 130,000        | 136,988     | 266,988      | 266,988               |
| 2032                 | -                                              | 135,000        | 128,375     | 263,375      | 263,375               |
| 2033                 | -                                              | 140,000        | 119,438     | 259,438      | 259,438               |
| 2034                 | -                                              | 150,000        | 111,888     | 261,888      | 261,888               |
| 2035                 | -                                              | 155,000        | 105,788     | 260,788      | 260,788               |
| 2036                 | -                                              | 165,000        | 99,388      | 264,388      | 264,388               |
| 2037                 | -                                              | 170,000        | 92,688      | 262,688      | 262,688               |
| 2038                 | -                                              | 180,000        | 85,688      | 265,688      | 265,688               |
| 2039                 | -                                              | 185,000        | 78,388      | 263,388      | 263,388               |
| 2040                 | -                                              | 195,000        | 70,788      | 265,788      | 265,788               |
| 2041                 | -                                              | 205,000        | 62,788      | 267,788      | 267,788               |
| 2042                 | -                                              | 210,000        | 54,488      | 264,488      | 264,488               |
| 2043                 | -                                              | 220,000        | 45,888      | 265,888      | 265,888               |
| 2044                 | -                                              | 230,000        | 36,744      | 266,744      | 266,744               |
| 2045                 | -                                              | 240,000        | 27,050      | 267,050      | 267,050               |
| 2046                 | -                                              | 255,000        | 16,681      | 271,681      | 271,681               |
| 2047                 | -                                              | 265,000        | 5,631       | 270,631      | 270,631               |
| Total                | \$ -                                           | \$4,000,000    | \$2,682,271 | \$6,682,271  | \$6,682,271           |

(a) The District does not have any outstanding Road System debt service as of May 1, 2022.

|                                                                         |            |
|-------------------------------------------------------------------------|------------|
| Average Annual Debt Service Requirements on the Road Bonds (2023- 2047) | \$ 267,291 |
| Maximum Annual Debt Service Requirements on the Road Bonds (2024)       | \$ 282,938 |

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### Combined Debt Service Requirement Schedule

The following schedule sets forth the combined debt service requirements on the Bonds, plus the principal and interest requirements on the Bonds.

| Year Ending<br>12/31 | The Bonds (a) |             |              | Total<br>Debt Service |
|----------------------|---------------|-------------|--------------|-----------------------|
|                      | Principal     | Interest    | Debt Service |                       |
| 2023                 | \$ -          | \$731,254   | \$731,254    | \$731,254             |
| 2024                 | 310,000       | 593,950     | 903,950      | 903,950               |
| 2025                 | 320,000       | 573,713     | 893,713      | 893,713               |
| 2026                 | 335,000       | 552,425     | 887,425      | 887,425               |
| 2027                 | 355,000       | 530,000     | 885,000      | 885,000               |
| 2028                 | 370,000       | 506,438     | 876,438      | 876,438               |
| 2029                 | 385,000       | 481,900     | 866,900      | 866,900               |
| 2030                 | 400,000       | 456,388     | 856,388      | 856,388               |
| 2031                 | 420,000       | 430,463     | 850,463      | 850,463               |
| 2032                 | 435,000       | 404,150     | 839,150      | 839,150               |
| 2033                 | 455,000       | 379,913     | 834,913      | 834,913               |
| 2034                 | 480,000       | 359,463     | 839,463      | 839,463               |
| 2035                 | 500,000       | 339,863     | 839,863      | 839,863               |
| 2036                 | 525,000       | 319,363     | 844,363      | 844,363               |
| 2037                 | 545,000       | 297,963     | 842,963      | 842,963               |
| 2038                 | 575,000       | 275,563     | 850,563      | 850,563               |
| 2039                 | 595,000       | 252,163     | 847,163      | 847,163               |
| 2040                 | 625,000       | 227,763     | 852,763      | 852,763               |
| 2041                 | 655,000       | 202,163     | 857,163      | 857,163               |
| 2042                 | 680,000       | 175,463     | 855,463      | 855,463               |
| 2043                 | 710,000       | 147,663     | 857,663      | 857,663               |
| 2044                 | 745,000       | 118,097     | 863,097      | 863,097               |
| 2045                 | 775,000       | 86,747      | 861,747      | 861,747               |
| 2046                 | 815,000       | 53,444      | 868,444      | 868,444               |
| 2047                 | 850,000       | 18,063      | 868,063      | 868,063               |
| Total                | \$12,860,000  | \$8,514,366 | \$21,374,366 | \$21,374,366          |

(a) The District does not have any outstanding bond debt service as of May 1, 2022.

|                                                                    |         |
|--------------------------------------------------------------------|---------|
| Average Annual Debt Service Requirements on the Bonds (2023- 2047) | 854,975 |
| Maximum Annual Debt Service Requirements on the Road Bonds (2024)  | 903,950 |

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## Direct and Estimated Overlapping Debt Statement

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

### Brazoria County

| Taxing Jurisdiction               | Outstanding Debt<br>May 1, 2022(b) | Overlapping |           |
|-----------------------------------|------------------------------------|-------------|-----------|
|                                   |                                    | Percent     | Amount    |
| Alvin Independent School District | \$ 973,510,000                     | 0.01%       | \$ 57,058 |
| Brazoria County                   | 134,430,000                        | 0.01%       | 7,879     |
| Total Estimated Overlapping Debt  |                                    |             | \$ 64,937 |

### Fort Bend County

| Taxing Jurisdiction                           | Outstanding Debt<br>May 1, 2022(b) | Overlapping |               |
|-----------------------------------------------|------------------------------------|-------------|---------------|
|                                               |                                    | Percent     | Amount        |
| Fort Bend Independent School District         | \$ 1,375,535                       | 0.04%       | \$ 536,813    |
| Fort Bend County                              | 688,221,248                        | 0.04%       | 268,584       |
| Total Estimated Overlapping Debt              |                                    |             | \$ 870,334    |
| District Debt (a)                             |                                    |             | \$ 12,860,000 |
| Total Direct & Estimated Overlapping Debt (a) |                                    |             | \$ 13,730,334 |

(a) Includes the Bonds.

(b) Source: Texas MAC.

## Debt Ratios

### Ratio of Combined Direct Debt:

|                                                                  |        |
|------------------------------------------------------------------|--------|
| As a Percentage of 2021 Certified Assessed Valuation.....        | 66.65% |
| As a Percentage of Estimated Valuation as of April 1, 2022 ..... | 9.39%  |

### Ratio of Direct and Estimated Overlapping Debt:

|                                                                  |        |
|------------------------------------------------------------------|--------|
| As a Percentage of 2021 Certified Assessed Valuation.....        | 71.16% |
| As a Percentage of Estimated Valuation as of April 1, 2022 ..... | 10.03% |

## TAXING PROCEDURES

### Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Utility Bonds issued for the Utility System and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Utility System and to pay the expenses of assessing and collecting such taxes. In the Bond Orders, the District agrees to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." The Board is also authorized to levy an annual ad valorem tax, without legal limit as to rate or amount, on all taxable property in the District in sufficient amount to pay the principal of and interest on the Road Bonds issued for the Road System and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Road System and to pay the expenses of assessing and collecting such taxes. Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District for the payment of certain contractual obligations. See "TAX DATA – Tax Rate Limitation."

## **Property Tax Code and County-Wide Appraisal District**

The Texas Property Tax Code (the “Property Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Code are complex and are not fully summarized herein.

The Property Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Brazoria County Appraisal District and the Fort Bend Central Appraisal District (together, the “Appraisal Districts”) have the responsibility of appraising property for all taxing units within Brazoria and Fort Bend Counties, including the District. Such appraisal values will be subject to review and change by the Brazoria County Appraisal Review Board and the Fort Bend County Appraisal Review Board (together, the “Appraisal Review Boards”). The appraisal rolls, as approved by the Appraisal Review Boards, will be used by the District in establishing its tax rolls and tax rate.

## **Property Subject to Taxation by the District**

**General:** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of one hundred percent (100%) is entitled to an exemption for the full value of the veteran’s residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. 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 is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead if the surviving spouse has not remarried since the first responder’s death, and said property was the first responder’s residence homestead at the time of death. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

**Freeport Goods and Goods-in-Transit Exemption:** Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within one hundred seventy-five (175) days. Freeport goods are exempt from taxation by the District. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of “goods-in-transit.” “Goods-in-transit” is defined by a provision of the Tax Code, which is effective for tax year 2016 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory. For tax year 2016 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. The District has taken action to tax Goods-in-Transit. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

### **Tax Abatement**

The City and Brazoria County or Fort Bend County, as appropriate, under Chapter 312, Texas Code may designate all or part of the area within the District as a reinvestment zone. Thereafter, the District, Brazoria County, Alvin Independent School District, and (if it were to dissolve the District) the City may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

At this time, City and Brazoria County or Fort Bend County have not designated any of the area within the District as a reinvestment zone.

### **Valuation of Property for Taxation**

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

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

The Property 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 formally to include such values on its appraisal rolls.

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 Districts are 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 Board by filing a petition for review in State district court. In such event, the value of 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 comply with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda, which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which 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, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional twenty percent (20%) penalty for collection costs. A delinquent tax on personal property incurs an additional twenty percent (20%) penalty, 60 days after the date the taxes become delinquent (April 1). For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

### **Rollback of Operation and Maintenance Tax Rate**

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, which effectively restricts increases in the District's operation and maintenance tax rates by requiring rollback elections to reduce the operation and maintenance tax component of the District's total tax rate (collectively, the debt service tax rate, maintenance and operations tax rate and contract tax rate are the "total tax rate"). See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. SB 2 requires a reduction in the operation and maintenance tax component of the District's total tax rate if the District's total tax rate surpasses the thresholds for specific classes of districts in SB 2. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the

current year that is 2.5 cents or less per \$100 of taxable value are classified as “Low Tax Rate Districts.” Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed are classified herein as “Other Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

#### *Low Tax Rate Districts*

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

#### *Other Districts*

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

#### *The District*

A determination as to a district’s status as a Low Tax Rate District, Developed District or Other District will be made on an annual basis, at the time a district sets its tax rate, beginning with the 2021 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District’s future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

#### **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 each taxing unit, including the District, having power to tax the property. The District’s tax lien is on a parity with tax liens of such other taxing units. 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. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. See “RISK FACTORS – Tax Collection and Foreclosure Proceedings” and “– Bondholders’ Remedies.”

The ability of the District to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, the foreclosure sale price attributable to market conditions, the taxpayer’s right to redeem the property within six (6) months of foreclosure (two (2) years in the case of residential or agricultural property), or by bankruptcy proceedings which restrain the collection of a taxpayer’s debts or modify such debts. The Financial Institutions Reform, Recovery and Enforcement Act of 1989 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.

## **TAX DATA**

### **General**

Taxable property within the District is subject to the assessment, levy and collection by the District of two annual ad valorem taxes, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District’s assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Orders to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District’s tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. In 2021, the District levied a maintenance tax of \$1.50.

### **Tax Rate Limitation**

|                                             |                                                  |
|---------------------------------------------|--------------------------------------------------|
| Utility Debt Service:.....                  | Unlimited (no legal limit as to rate or amount). |
| Road Debt Service:.....                     | Unlimited (no legal limit as to rate or amount). |
| Maintenance and Operation General: .....    | \$1.50 per \$100 assessed taxable valuation.     |
| Maintenance and Operation Road: .....       | \$1.50 per \$100 assessed taxable valuation.     |
| Maintenance and Operation Recreation: ..... | \$0.10 per \$100 assessed taxable valuation.     |

### **Debt Service Taxes**

The Board covenants in the Bond Orders to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. In 2021, the District levied a maintenance tax of \$1.50.

### **Maintenance Taxes**

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District’s improvements if such maintenance tax is authorized by vote of the District’s electors. The Board is authorized by the District’s voters to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. In 2021, the District levied a maintenance tax of \$1.50 per \$100 of assessed valuation for 2021.

### **Tax Exemption**

The District is not currently granting any tax exemptions.

### **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 twenty percent (20%) penalty applies to taxes that either: (1) become delinquent on or after February

1 of a year, but not later than June 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

### Historical Tax Collections

The following table illustrates the collection history of the District for the 2020 and 2021 tax years.

| <u>Tax Year</u> | <u>Assessed Valuation</u> | <u>Tax Rate/\$100</u> | <u>Adjusted Levy</u> | <u>% Collected Current Year</u> | <u>Tax Year Ending 9/30</u> | <u>% Collected as of 2/28/2022</u> |
|-----------------|---------------------------|-----------------------|----------------------|---------------------------------|-----------------------------|------------------------------------|
| 2020            | \$ 3,431,304              | 1.500000              | \$ 50,826            | 98.75%                          | 2021                        | 98.75%                             |
| 2021            | \$19,296,210              | 1.500000              | \$ 278,840           | 96.34%                          | 2022                        | 96.34%                             |

### Tax Rate Distribution

The following table sets out the components of the District's tax levy for the 2021 and 2020 tax years.

|                             | <u>2021</u> | <u>2020</u> |
|-----------------------------|-------------|-------------|
| Utility System Debt Service | \$ -        | \$ -        |
| Road System Debt Service    | -           | -           |
| Maintenance & Operations    | 1.500       | 1.500       |
| Total                       | \$ 1.500    | \$ 1.500    |

### Analysis of Tax Base

The following represents the types of property comprising the District assessed taxable value for the 2020 and 2021 tax years.

#### BRAZORIA COUNTY

| <u>Type of Property</u> | <u>2021 Assessed Valuation</u> | <u>2020 Assessed Valuation</u> |
|-------------------------|--------------------------------|--------------------------------|
| Land                    | \$ 610,370                     | \$ 263,310                     |
| Improvements            | -                              | -                              |
| Personal Property       | -                              | -                              |
| Ag Productivity         | 3,670                          | (142,250)                      |
| Exemptions              | -                              | -                              |
| Total                   | \$614,040                      | \$ 121,060                     |

#### FORT BEND COUNTY

| <u>Type of Property</u> | <u>2021 Assessed Valuation</u> | <u>2020 Assessed Valuation</u> |
|-------------------------|--------------------------------|--------------------------------|
| Land                    | \$ 11,538,450                  | \$ 4,055,870                   |
| Improvements            | 27,219,812                     | -                              |
| Personal Property       | -                              | -                              |
| Ag Productivity         | (92,360)                       | -                              |
| Exemptions              | (19,982,222)                   | (745,627)                      |
| Total                   | \$18,683,680                   | \$ 3,310,243                   |

### Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2021:

## BRAZORIA COUNTY

| Taxpayer                   | Type of Property    | Assessed<br>Valuation<br>2021 Tax Roll | Percent of<br>District<br>2021 Value |
|----------------------------|---------------------|----------------------------------------|--------------------------------------|
| 258 Colony Investments LLC | Land & Improvements | \$ 510,070                             | 83.07%                               |
| D.R. Horton -Texas LTD (a) | Land & Improvements | 100,300                                | 16.33%                               |
| Homeowner                  | Land & Improvements | 2,734                                  | 0.45%                                |
| Homeowner                  | Land & Improvements | 936                                    | 0.15%                                |
| <b>Total</b>               |                     | <b>\$ 614,040</b>                      | <b>100.00%</b>                       |

(a) See "PRINCIPAL LANDOWNER/DEVELOPER."

## FORT BEND COUNTY

| Taxpayer                   | Type of Property    | Assessed<br>Valuation<br>2021 Tax Roll | Percent of<br>District<br>2021 Value |
|----------------------------|---------------------|----------------------------------------|--------------------------------------|
| 258 Colony Investments LLC | Land & Improvements | \$ 2,729,240                           | 14.61%                               |
| D.R. Horton -Texas LTD (a) | Land & Improvements | 1,657,350                              | 8.87%                                |
| Fort Bend ISD              | Land & Improvements | 162,860                                | 0.87%                                |
| Homeowner                  | Land & Improvements | 160,750                                | 0.86%                                |
| Homeowner                  | Land & Improvements | 157,690                                | 0.84%                                |
| Homeowner                  | Land & Improvements | 154,370                                | 0.83%                                |
| Homeowner                  | Land & Improvements | 154,150                                | 0.83%                                |
| Homeowner                  | Land & Improvements | 152,000                                | 0.81%                                |
| Homeowner                  | Land & Improvements | 149,510                                | 0.80%                                |
| Homeowner                  | Land & Improvements | 148,820                                | 0.80%                                |
| <b>Total</b>               |                     | <b>\$ 5,626,740</b>                    | <b>30.12%</b>                        |

(a) See "PRINCIPAL LANDOWNER/DEVELOPER."

### Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements on the Bonds if no growth in the District's tax base occurs beyond the 2021 Certified Assessed Valuation (\$19,296,210) or the Estimated Assessed Valuation as of April 1, 2022 (\$136,924,128). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds.

|                                                                                           |            |
|-------------------------------------------------------------------------------------------|------------|
| Combined Average Annual Debt Service Requirements (2023 - 2047).....                      | \$ 854,975 |
| Tax Rate of \$4.66 on the 2021 Certified Assessed Valuation produces.....                 | \$ 854,975 |
| Tax Rate of \$0.66 on the Estimated Assessed Valuation as of April 1, 2022 produces.....  | \$ 854,975 |
| Combined Maximum Annual Debt Service Requirements (2024).....                             | \$ 903,950 |
| Tax Rate of \$4.93 on the 2021 Certified Assessed Valuation produces.....                 | \$ 903,950 |
| Tax Rate of \$0.69 on the Estimated Assesses Valuation as of April 1, 2022, produces..... | \$ 903,950 |

The District anticipates levying a debt service tax for 2022 of \$0.63 per \$100 of Assessed Valuation (the minimum debt service tax rate which the TCEQ directed the District to levy for the year in which the District issues the Bonds in the TCEQ Order authorizing the District to issue the Bonds is \$0.63 per \$100 of Assessed Valuation), plus a maintenance and operations tax of \$0.87 per \$100 of Assessed Valuation. As the above table indicates, the anticipated 2022 debt service rate will be sufficient to pay debt service on the Bonds given taxable values in the District at the level of the Estimated Valuation at April 1, 2022, assuming a tax collection rate of 95%, no use of funds on hand and the issuance of no additional bonds by the District. \$0.69 and \$0.66 per \$100 of Assessed Valuation would be necessary to pay the Maximum Annual Debt Service Requirements and the Average Annual Debt Service Requirements, respectively, of the Bonds, assuming a tax collection rate of 95%, no use of funds on hand, the issuance of no additional bonds by the District, and that no growth occurs in the District beyond the level of the Estimated Valuation at April 1, 2022. In addition to the water distribution, wastewater collection, storm drainage/detention facilities and Impact Fees that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE UTILITY SYSTEM").



## Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2021 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

### **Brazoria County**

| <b>Taxing Jurisdiction</b>                  | <b>2021 Tax Rate<br/>Per \$100 of<br/>Assessed Value</b> |
|---------------------------------------------|----------------------------------------------------------|
| The District                                | \$ 1.500000                                              |
| Brazoria County Drainage District # 4       | \$ 0.152000                                              |
| Brazoria County Drainage District # 5       | 0.143226                                                 |
| Brazoria County Emergency District # 3      | 0.100000                                                 |
| Road and Bridge Fund                        | 0.050000                                                 |
| Alvin CCD                                   | 0.183211                                                 |
| Alvin ISD                                   | 1.397700                                                 |
| Brazoria County                             | 0.336530                                                 |
| <b>Total 2021 Tax Rate for the District</b> | <b>\$ 3.862667</b>                                       |

### **Fort Bend County**

| <b>Taxing Jurisdiction</b>                  | <b>2021 Tax Rate<br/>Per \$100 of<br/>Assessed Value</b> |
|---------------------------------------------|----------------------------------------------------------|
| The District                                | \$ 1.500000                                              |
| Fort Bend County                            | 0.438300                                                 |
| Fort Bend Drainage                          | 0.014500                                                 |
| Fort Bend ESD 7                             | 0.100000                                                 |
| Fort Bend ISD                               | 1.210100                                                 |
| <b>Total 2021 Tax Rate for the District</b> | <b>\$ 3.262900</b>                                       |

## LEGAL MATTERS

### Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS." The legal opinion of Bond Counsel will be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel.

### **No-Litigation Certificate**

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

### **No Material Adverse Change**

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended through the date of sale.

## **TAX MATTERS**

### **Tax Exemption**

On the date of initial delivery of the Bonds, Coats Rose, P.C., Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

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

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds is not equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments.

Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

## **Qualified Tax-Exempt Obligations**

The Bonds are NOT designated as “qualified tax-exempt obligations” for financial institutions.

## **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT” (excluding the information contained under the subheading “Direct and Estimated Overlapping Debt Statement), “TAX DATA,” and “APPENDIX A.” The District will update and provide this information within six months after the end of each of its fiscal years ending in and after March 31, 2022.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report becomes available. The District’s current fiscal year end is November 30. Accordingly, it must provide updated information by the last day in May in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

The Developer, which is a subsidiary of and controlled by D.R. Horton, Inc. D.R. Horton, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for D.R. Horton, Inc. can be found online at <https://investor.drhorton.com>. D.R. Horton, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the SEC. Reports, proxy statements and other information filed by D.R. Horton, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC. Certain financial information concerning the Developer is included as part of the consolidated financial statements of D.R. Horton, Inc. No additional disclosure will be provided by the District related to Developer since the information is publicly available through the SEC.

### **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 days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c212; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment

of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “material” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Orders make any provision for debt service reserves or liquidity enhancement. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

#### **Availability of Information from EMMA**

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

#### **Limitations and Amendments**

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. 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. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of such SEC Rule 15c2-12 are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

#### **Compliance with Prior Undertaking**

The District has not previously made a continuing disclosure agreement in accordance with SEC Rule 15c2-12 since this is the District’s first issue of bonds.

## **OFFICIAL STATEMENT**

### **General**

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

### **Experts**

The information contained in this Official Statement relating to engineering and to the description of the Utility System, and, in particular, that engineering information included in the sections entitled "THE BONDS – Use and Distribution of Utility Bond Proceeds and – Use and Distribution of Road Bond Proceeds," "THE DISTRICT – Description," "DEVELOPMENT OF THE DISTRICT – Status of Development within the District," and "THE UTILITY SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to development of the District and, in particular, that development information included in the sections captioned "DEVELOPMENT OF THE DISTRICT – Status of Development within the District" and "PRINCIPAL LANDOWNER/DEVELOPER" has been provided by the Developer.

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

### **Financial Advisor**

Tierra Financial Advisors, LLC, is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Tierra Financial Advisors, LLC has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information. Tierra Financial Advisors, LLC, is a wholly owned subsidiary of D.R. Horton, the primary developer of land in the District and the principal taxpayer. See "RELATIONSHIP AMONG THE PARTIES" herein.

### **Certification as to Official Statement**

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

### **Updating of Official Statement**

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the

District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

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### CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Brazoria-Fort Bend Counties Municipal Utility District No. 3 as of the date shown on the cover page hereof.

/s/

\_\_\_\_\_  
President, Board of Directors

Brazoria-Fort Bend Counties Municipal Utility District No. 3

ATTEST:

/s/

\_\_\_\_\_  
Secretary, Board of Directors

Brazoria-Fort Bend Counties Municipal Utility District No. 3



**APPENDIX A**  
**FINANCIAL STATEMENTS OF THE DISTRICT**

**BRAZORIA – FORT BEND COUNTIES  
MUNICIPAL UTILITY DISTRICT NO. 3**

**BRAZORIA AND FORT BEND COUNTIES, TEXAS**

**FINANCIAL REPORT**

**March 31, 2021**



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# McGRATH & CO., PLLC

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

## Independent Auditor's Report

Board of Directors  
Brazoria-Fort Bend Counties Municipal Utility District No. 3  
Brazoria and Fort Bend Counties, Texas

We have audited the accompanying financial statements of the governmental activities and General Fund of Brazoria-Fort Bend Counties Municipal Utility District No. 3, as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

***Board of Directors  
Brazoria-Fort Bend Counties Municipal Utility District No. 3  
Brazoria and Fort Bend 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 General Fund of Brazoria-Fort Bend Counties Municipal Utility District No. 3, as of March 31, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*McGuire & Co, LLC*

Houston, Texas  
June 8, 2021

## **Management's Discussion and Analysis**



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***Brazoria-Fort Bend Counties Municipal Utility District No. 3  
Management's Discussion and Analysis  
March 31, 2021***

## **Using this Annual Report**

Within this section of the financial report of Brazoria-Fort Bend Counties Municipal Utility District No. 3 (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 March 31, 2021. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section. Since this report is for an inception period, comparative data is not included. Financial reports for future years will include a comparative analysis of current year results to prior year data.

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 Fund Balance Sheet* and the *Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance*. 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

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Management's Discussion and Analysis***  
***March 31, 2021***

purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

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 Fund Balance Sheet* and the *Governmental Fund Revenues, Expenditures and Changes in Fund Balance*. 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 March 31, 2021, was negative \$219,486. The District's net position is negative because the District incurs debt to construct public road facilities which are conveyed to Fort Bend County and the District relies on advances from its developer to fund operating costs. A summary of the District's overall financial position, as of March 31, 2021, is as follows:

|                                  |                     |
|----------------------------------|---------------------|
| Current and other assets         | \$ 323,521          |
| Capital assets, net              | 1,422,995           |
| Total assets                     | <u>1,746,516</u>    |
| Current liabilities              | 237,783             |
| Long-term liabilities            | 1,728,219           |
| Total liabilities                | <u>1,966,002</u>    |
| Net position                     |                     |
| Net investment in capital assets | (114,284)           |
| Unrestricted                     | (105,202)           |
| Total net position               | <u>\$ (219,486)</u> |

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Management's Discussion and Analysis***  
***March 31, 2021***

During the current year, the District's expenses exceeded its revenues, which resulted in a negative net position of \$219,486. A summary of the District's *Statement of Activities* for the current year is as follows:

|                                          |                     |
|------------------------------------------|---------------------|
| Revenues                                 |                     |
| Property taxes, penalties and interest   | \$ 51,972           |
| Water and sewer service                  | 28,636              |
| Other                                    | 257,322             |
| Total revenues                           | <u>337,930</u>      |
| Expenses                                 |                     |
| Current service operations               | 321,732             |
| Depreciation and amortization            | 17,511              |
| Total expenses                           | <u>339,243</u>      |
| Change in net position before other item | (1,313)             |
| Other item                               |                     |
| Transfers to other governments           | <u>(218,173)</u>    |
| Change in net position                   | (219,486)           |
| Net position, beginning of year          |                     |
| Net position, end of year                | <u>\$ (219,486)</u> |

**Financial Analysis of the District's General Fund**

Fund Balance in the District's General Fund, as of March 31, 2021 was \$163,195. A summary of the General Fund's financial position as of March 31, 2021 is as follows:

|                                                      |                   |
|------------------------------------------------------|-------------------|
| Total assets                                         | <u>\$ 323,521</u> |
| Total liabilities                                    | \$ 159,323        |
| Total deferred inflows                               | 1,003             |
| Total fund balance                                   | 163,195           |
| Total liabilities, deferred inflows and fund balance | <u>\$ 323,521</u> |

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

|                               |                   |
|-------------------------------|-------------------|
| Total revenues                | \$ 336,927        |
| Total expenditures            | <u>(321,732)</u>  |
| Revenues over expenditures    | 15,195            |
| Other changes in fund balance | 148,000           |
| Net change in fund balance    | <u>\$ 163,195</u> |

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Management's Discussion and Analysis***  
***March 31, 2021***

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, the provision of water and sewer services to customers within the District, tap connection fees charged to homebuilders in the District and developer advances. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District.
- Water, sewer, and groundwater reduction plan fee revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.
- The District's developer advances funds to the District as needed to pay for operating costs.

**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 amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$74,044 less than budgeted. The *Budgetary Comparison Schedule* on page 28 of this report provides variance information per financial statement line item.

**Capital Assets**

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

Capital assets held by the District at March 31, 2021 are summarized as follows:

|                                                        |                     |
|--------------------------------------------------------|---------------------|
| Capital assets being depreciated/amortized             |                     |
| Infrastructure                                         | \$ 39,022           |
| Joint water plant capacity                             | 665,760             |
| Right-to-use leased asset - wastewater treatment plant | 735,724             |
|                                                        | <u>1,440,506</u>    |
| Less accumulated depreciation/amortization             |                     |
| Infrastructure                                         | (867)               |
| Joint water plant capacity                             | (16,644)            |
| Right-to-use leased asset - wastewater treatment plant | (17,511)            |
|                                                        | <u>(17,511)</u>     |
| Capital assets, net                                    | <u>\$ 1,422,995</u> |

***Brazoria-Fort Bend Counties Municipal Utility District No. 3  
Management's Discussion and Analysis  
March 31, 2021***

Capital asset additions during the current year include:

- Utilities to serve Fort Bend County High School No. 12
- Joint water plant capacity charges paid to Fort Bend County Municipal Utility District No. 131 (Note 11)
- Right to use the leased wastewater treatment plant (Note 9).

Fort Bend County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended March 31, 2021, capital assets in the amount of \$218,173 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 8.

**Lease Obligations**

On August 7, 2020, the District entered into a 60-month lease for a wastewater treatment plant with AUC Group, Inc. During the current year, the District prepaid \$27,100 for the first and last month's lease payments. The balance due under the lease as of March 31, 2021, was \$735,724. Additional information is presented in Note 9.

**Long-Term Debt and Related Liabilities**

As of March 31, 2021, the District owes approximately \$1,070,955 to 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. As discussed in Note 5, the District has an additional commitment in the amount of \$30,636,398 for projects under construction by the developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At March 31, 2021, the District had \$150,800,000 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 \$75,400,000 for refunding such bonds; \$22,100,000 for parks and recreational facilities and \$11,050,000 for refunding such bonds; \$70,200,000 for road improvements and \$35,100,000 for refunding such bonds.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3  
Management's Discussion and Analysis  
March 31, 2021***

**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 water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

|                               | <u>2021 Actual</u> | <u>2022 Budget</u> |
|-------------------------------|--------------------|--------------------|
| Total revenues                | \$ 336,927         | \$ 802,500         |
| Total expenditures            | <u>(321,732)</u>   | <u>(777,500)</u>   |
| Revenues over expenditures    | 15,195             | 25,000             |
| Other changes in fund balance | <u>148,000</u>     |                    |
| Net change in fund balance    | 163,195            | 25,000             |
| Beginning fund balance        |                    | <u>163,195</u>     |
| Ending fund balance           | <u>\$ 163,195</u>  | <u>\$ 188,195</u>  |

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

As further discussed in Note 14, 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**



***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Statement of Net Position and Governmental Fund Balance Sheet***  
***March 31, 2021***

|                                                                      | General<br>Fund   | Adjustments         | Statement of<br>Net Position |
|----------------------------------------------------------------------|-------------------|---------------------|------------------------------|
| <b>Assets</b>                                                        |                   |                     |                              |
| Cash                                                                 | \$ 264,106        | \$ -                | \$ 264,106                   |
| Taxes receivable                                                     | 1,003             |                     | 1,003                        |
| Customer service receivables                                         | 23,802            |                     | 23,802                       |
| Prepaid items                                                        | 34,610            |                     | 34,610                       |
| Capital assets, net                                                  |                   | 1,422,995           | 1,422,995                    |
| Total Assets                                                         | <u>\$ 323,521</u> | <u>1,422,995</u>    | <u>1,746,516</u>             |
| <b>Liabilities</b>                                                   |                   |                     |                              |
| Accounts payable                                                     | \$ 124,523        |                     | 124,523                      |
| Customer deposits                                                    | 34,800            |                     | 34,800                       |
| Due to developer                                                     |                   | 1,070,955           | 1,070,955                    |
| Lease obligation                                                     |                   |                     |                              |
| Due within one year                                                  |                   | 78,460              | 78,460                       |
| Due after one year                                                   |                   | 657,264             | 657,264                      |
| Total Liabilities                                                    | <u>159,323</u>    | <u>1,806,679</u>    | <u>1,966,002</u>             |
| <b>Deferred Inflows of Resources</b>                                 |                   |                     |                              |
| Deferred property taxes                                              | <u>1,003</u>      | <u>(1,003)</u>      |                              |
| <b>Fund Balance/Net Position</b>                                     |                   |                     |                              |
| <b>Fund Balances</b>                                                 |                   |                     |                              |
| Nonspendable                                                         | 34,610            | (34,610)            |                              |
| Unassigned                                                           | 128,585           | (128,585)           |                              |
| Total Fund Balances                                                  | <u>163,195</u>    | <u>(163,195)</u>    |                              |
| Total Liabilities, Deferred Inflows<br>of Resources and Fund Balance | <u>\$ 323,521</u> |                     |                              |
| <b>Net Position</b>                                                  |                   |                     |                              |
| Net investment in capital assets                                     |                   | (114,284)           | (114,284)                    |
| Unrestricted                                                         |                   | (105,202)           | (105,202)                    |
| Total Net Position                                                   |                   | <u>\$ (219,486)</u> | <u>\$ (219,486)</u>          |

See notes to basic financial statements.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Statement of Activities and Governmental Fund Revenues, Expenditures and***  
***Changes in Fund Balance***  
***For the Year Ended March 31, 2021***

|                                            | General<br>Fund   | Adjustments         | Statement of<br>Activities |
|--------------------------------------------|-------------------|---------------------|----------------------------|
| <b>Revenues</b>                            |                   |                     |                            |
| Water service                              | \$ 13,388         | \$ -                | \$ 13,388                  |
| Sewer service                              | 15,248            |                     | 15,248                     |
| Property taxes                             | 50,466            | 1,003               | 51,469                     |
| Penalties and interest                     | 503               |                     | 503                        |
| Groundwater reduction plan fees            | 5,186             |                     | 5,186                      |
| Tap connection and inspection              | 243,682           |                     | 243,682                    |
| Miscellaneous                              | 8,389             |                     | 8,389                      |
| Investment earnings                        | 65                |                     | 65                         |
| Total Revenues                             | <u>336,927</u>    | <u>1,003</u>        | <u>337,930</u>             |
| <b>Expenditures/Expenses</b>               |                   |                     |                            |
| Current service operations                 |                   |                     |                            |
| Purchased services                         | 46,721            |                     | 46,721                     |
| Professional fees                          | 112,682           |                     | 112,682                    |
| Contracted services                        | 121,093           |                     | 121,093                    |
| Repairs and maintenance                    | 21,210            |                     | 21,210                     |
| Administrative                             | 19,826            |                     | 19,826                     |
| Other                                      | 200               |                     | 200                        |
| Depreciation/amortization                  |                   | 17,511              | 17,511                     |
| Total Expenditures/Expenses                | <u>321,732</u>    | <u>17,511</u>       | <u>339,243</u>             |
| <b>Revenues Over Expenditures/Expenses</b> | 15,195            | (16,508)            | (1,313)                    |
| <b>Other Financing Sources</b>             |                   |                     |                            |
| Developer advances                         | 148,000           | (148,000)           |                            |
| <b>Other Items</b>                         |                   |                     |                            |
| Transfers to other governments             |                   | (218,173)           | (218,173)                  |
| <b>Net Change in Fund Balance</b>          | 163,195           | (163,195)           |                            |
| <b>Change in Net Position</b>              |                   | (219,486)           | (219,486)                  |
| Fund Balance/Net Position                  |                   |                     |                            |
| <b>End of the year</b>                     | <u>\$ 163,195</u> | <u>\$ (382,681)</u> | <u>\$ (219,486)</u>        |

See notes to basic financial statements.

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***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Basic Financial Statements***  
***March 31, 2021***

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Brazoria-Fort Bend Counties Municipal Utility District No. 3 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

**Creation**

The District was organized, created and established pursuant to an order of The Texas Legislature, 86<sup>th</sup> Session, Senate Bill No. 1038, effective September 1, 2019, under 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 February 13, 2020.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. 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**

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. The District uses only a General Fund to account for its operations. The District’s principal financial resources are property taxes, the provision of water and sewer services to customers within the District, tap connection fees charged to homebuilders in the District, and developer advances. Expenditures include costs associated with the daily operations of the District.

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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Measurement Focus and Basis of Accounting**

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

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. 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.

**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 March 31, 2021, an allowance for uncollectible accounts was not considered necessary.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**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 water, wastewater and drainage facilities, are depreciated/amortized using the straight-line method as follows:

| <u>Assets</u>      | <u>Useful Life</u> |
|--------------------|--------------------|
| Infrastructure     | 45 years           |
| Right-to-use lease | 10 years           |

**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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balance – 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 does not have any restricted fund balances.

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

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

Unassigned - all other spendable amounts in the General Fund.

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

**Use of Estimates**

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

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Basic Financial Statements***  
***March 31, 2021***

**Note 2 – Adjustment from Governmental to Government-wide Basis**

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

|                                                                                                                                                                         |           |                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|------------------|
| Total fund balance, governmental fund                                                                                                                                   | \$        | 163,195          |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.                            |           |                  |
| Historical cost                                                                                                                                                         | \$        | 1,440,506        |
| Less accumulated depreciation                                                                                                                                           |           | <u>(17,511)</u>  |
| Change due to capital assets                                                                                                                                            |           | 1,422,995        |
| Obligations under leases are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.                       |           |                  |
|                                                                                                                                                                         |           | (735,724)        |
| Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .         |           |                  |
|                                                                                                                                                                         |           | (1,070,955)      |
| 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. |           |                  |
|                                                                                                                                                                         |           | 1,003            |
| Total net position - governmental activities                                                                                                                            | <u>\$</u> | <u>(219,486)</u> |



***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Basic Financial Statements***  
***March 31, 2021***

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

**Reconciliation of the *Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance* to the *Statement of Activities***

|                                                                                                                                                                                                                                                                                                                                    |                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Net change in fund balance - total governmental fund                                                                                                                                                                                                                                                                               | \$ 163,195          |
| 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.                                                                                                      | 1,003               |
| In the <i>Statement of Activities</i> , the cost of capital assets is charged to depreciation/amortization expense over the estimated useful life of the asset.                                                                                                                                                                    | (17,511)            |
| Amounts received from the District's developer for operating advances provide financial resources at the fund level, but are recorded as a liability in the <i>Statement of Net Position</i> .                                                                                                                                     | (148,000)           |
| The District conveys public roads to Fort Bend County upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments. | (218,173)           |
| Change in net position of governmental activities                                                                                                                                                                                                                                                                                  | <u>\$ (219,486)</u> |

**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.

As of March 31, 2021, the District had deposits in the amount of \$111,907 which were exposed to custodial credit risk as a result of being uncollateralized. The District has subsequently implemented additional monitoring procedures in order to adequately insure deposits.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Basic Financial Statements***  
***March 31, 2021***

**Note 4 – Capital Assets**

As of March 31, 2021, the District's capital assets consisted of the following:

|                                                        |                     |
|--------------------------------------------------------|---------------------|
| Capital assets being depreciated/amortized             |                     |
| Infrastructure                                         | \$ 39,022           |
| Joint water plant capacity                             | 665,760             |
| Right-to-use leased asset - wastewater treatment plant | 735,724             |
|                                                        | <u>1,440,506</u>    |
| Less accumulated depreciation/amortization             |                     |
| Infrastructure                                         | (867)               |
| Joint water plant capacity                             | (16,644)            |
| Right-to-use leased asset - wastewater treatment plant |                     |
|                                                        | <u>(17,511)</u>     |
| Capital assets, net                                    | <u>\$ 1,422,995</u> |

Depreciation/amortization expense for the current year was \$867.

**Note 5 – Due to Developer**

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

The District's developer has also advanced funds to the District for operating expenses.

The estimated amounts due to developer during the year is as follows:

|                                     |                     |
|-------------------------------------|---------------------|
| Due to developer, beginning of year | \$ -                |
| Developer funded construction       | 922,955             |
| Operating advances from developer   | 148,000             |
| Due to developer, end of year       | <u>\$ 1,070,955</u> |

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Basic Financial Statements***  
***March 31, 2021***

**Note 5 – Due to Developer (continued)**

In addition, the District will owe the developer approximately \$30,636,398, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

|                                                            | Contract<br>Amount   | Amounts<br>Paid      | Remaining<br>Commitment |
|------------------------------------------------------------|----------------------|----------------------|-------------------------|
| Caldwell Ranch Boulevard Phase I                           | \$ 3,683,492         | \$ 1,397,004         | \$ 2,286,488            |
| Southern Colony II Detention Phase I                       | 3,083,536            | 2,943,171            | 140,365                 |
| Pump Station No. 1 Phase I                                 | 1,317,321            | 826,279              | 491,042                 |
| Water Supply Plant No. 1 Phase I                           | 3,286,300            | 3,243,170            | 43,130                  |
| Wastewater Treatment Plant No. 1 Phase I (0.25 mgd)        | 1,119,238            |                      | 1,119,238               |
| Lift Station No. 1                                         | 670,304              | 271,117              | 399,187                 |
| Southern Colony II Detention Phase II                      | 2,748,328            | 2,380,990            | 367,338                 |
| Waller Crossing Drive                                      | 1,111,361            | 324,979              | 786,382                 |
| Southern Colony Expansion Phase 1 Section 1A               | 1,629,492            | 1,530,687            | 98,805                  |
| Southern Colony Expansion Phase 1 Section 1B               | 1,898,533            | 1,644,802            | 253,731                 |
| Southern Colony Expansion Phase 1 Section 2                | 2,076,901            | 1,867,750            | 209,151                 |
| Southern Colony Expansion Phase 1 Section 3                | 2,486,358            | 1,388,719            | 1,097,639               |
| Caldwell Ranch Section 1                                   | 1,650,596            | 246,279              | 1,404,317               |
| Caldwell Ranch Section 2                                   | 1,259,810            |                      | 1,259,810               |
| Caldwell Ranch Section 3A                                  | 677,500              | 621,892              | 55,608                  |
| Caldwell Ranch Section 3B                                  | 1,520,101            |                      | 1,520,101               |
| Caldwell Ranch Section 1A and 1B landscape<br>improvements | 231,874              | 140,316              | 91,558                  |
| Southern Colony Section 2 landscape improvements           | 185,353              |                      | 185,353                 |
|                                                            | <u>\$ 30,636,398</u> | <u>\$ 18,827,155</u> | <u>\$ 11,809,243</u>    |

**Note 6 – Long-Term Debt**

At March 31, 2021, the District had \$150,800,000 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 \$75,400,000 for refunding such bonds; \$22,100,000 for parks and recreational facilities and \$11,050,000 for refunding such bonds; \$70,200,000 for road improvements and \$35,100,000 for refunding such bonds.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Basic Financial Statements***  
***March 31, 2021***

**Note 7 – Property Taxes**

On May 2, 2020, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. In addition, the voters of the District authorized the District's Board of Directors to levy taxes annually for road maintenance limited to \$1.50 per \$100 of assessed value and for park maintenance limited to \$0.10 per \$100 of assessed value.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2021 fiscal year was financed through the 2020 tax levy, pursuant to which the District levied property taxes of \$1.50 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$51,470 on the adjusted taxable value of \$3,431,304.

**Note 8 – Transfers to Other Governments**

Fort Bend County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Fort Bend County, not the District. The estimated cost of each road project is recorded as a transfer to other government upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended March 31, 2021, the District recorded transfers to other governments in the amount of \$218,173 for road facilities constructed by a developer within the District.

**Note 9 – Lease Agreement**

On August 7, 2020, the District entered into an operating lease agreement for a wastewater treatment plant ("WWTP"). This lease is for a 60-month term, unless otherwise terminated. The lease agreement shall automatically be extended for successive 90-day periods after the initial term, unless otherwise terminated. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. Monthly payments for the lease are \$13,550. As of March 31, 2021, installation of the facilities has not been completed.

The District recognized an intangible asset for the right-to-use the underlying leased asset in the amount of \$735,724, which is based on the measurement of the associated lease liability. The initial lease liability at the present value of future lease payments using an estimated incremental borrowing rate of 4%. This long-term liability is reduced as the lease is paid.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Basic Financial Statements***  
***March 31, 2021***

**Note 9 – Lease Agreement (continued)**

Future minimum leases payments as of March 31, 2021 for term leases are as follow, based on an estimated completion date of September 2021:

| Year                | Principal         | Interest         | Total             |
|---------------------|-------------------|------------------|-------------------|
| 2022                | \$ 78,460         | \$ 16,390        | \$ 94,850         |
| 2023                | 138,830           | 23,770           | 162,600           |
| 2024                | 144,486           | 18,114           | 162,600           |
| 2025                | 150,372           | 12,228           | 162,600           |
| 2026                | 156,501           | 6,099            | 162,600           |
| 2027                | 67,075            | 675              | 67,750            |
|                     | <u>\$ 735,724</u> | <u>\$ 77,276</u> | <u>\$ 813,000</u> |
| Due within one year | <u>\$ 78,460</u>  | <u>\$ 16,390</u> | <u>\$ 94,850</u>  |

Standard lease terms require the District to prepay the first and last month’s lease payment upon inception of the lease. All such amounts are recorded as a prepaid expense on the *Statement of Net Position*.

**Note 10 – Wastewater Treatment Facilities Agreement**

On November 15, 2019, the District, Fort Bend County Municipal Utility District No. 131 (“MUD 131”) and Fort Bend County Municipal Utility District No.189 (“MUD 189”) entered into a First Amended and Restated Wastewater Treatment Facilities Agreement (the “Agreement”) to accommodate the installation of an expansion to a joint wastewater treatment plant operated by MUD 131. The expansion will be sufficient to serve 240,000 gallons average daily flow, which will be allocated 52.5% (400 ESFC) to the District and 47.5% to MUD 131 (362 ESFC).

Each district will be responsible for their pro rata share of the costs to construct the expansion. The District’s projected share of costs is \$619,889. Each district will finance, own, and operate their respective internal sanitary sewer system.

MUD 131 will hold title to the wastewater treatment plant with each district owning an undivided, equitable interest based on their pro-rata share of capacity. MUD 131 will be responsible for the maintenance and operation of the wastewater treatment plant. Each district will pay MUD 131 for their pro rata share of operation and maintenance expenses.

**Note 11 – Joint Water Supply Agreement**

On November 15, 2019, the District and MUD 131 entered into an agreement (the “Agreement”) for the purchase of 400 ESFCs of water supply capacity in the water plant owned and operated by MUD 131. The total purchase price for the capacity is \$1,416,000; which is comprised of an initial payment of \$200,000 and a payment of \$3,040 for each single family home lot platted within the service tract. The term of the agreement is 40 years.

**Note 11 – Joint Water Supply Agreement (continued)**

MUD 131 shall hold legal title to the water plant, with the District having an undivided, equitable interest in the water plant based on its pro rata share of capacity. MUD 131 is solely responsible for all costs necessary to operate, maintain, repair, and replace the water plant.

The District is responsible for the design, construction, and operation of its internal water distribution system and interconnect to receive water from MUD 131. The District will pay \$3.735 per 1,000 gallons of water, plus any and all pass through fees charged on a per gallon basis to MUD 131 by other regulatory agencies, including the Groundwater Reduction Permit Fee charged by the North Fort Bend Water Authority. The rate per thousand gallons may be adjusted annually to reflect the corresponding annual increase in the consumer price index. During the current year, the District recognized expenses of \$46,721 for water supply purchased from MUD 131.

**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 – Economic Dependency**

The District is dependent upon its developer for operating advances. The developer continues to own a substantial portion of the taxable property within the District. The developer's willingness to make future operating advances and/or to pay property taxes will directly affect the District's ability to meet its future obligations.

**Note 14 – 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.

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**



**Brazoria-Fort Bend Counties Municipal Utility District No. 3****Required Supplementary Information - Budgetary Comparison Schedule - General Fund****For the Year Ended March 31, 2021**

|                                           | Original<br>Budget | Final<br>Budget | Actual     | Variance<br>Positive<br>(Negative) |
|-------------------------------------------|--------------------|-----------------|------------|------------------------------------|
| <b>Revenues</b>                           |                    |                 |            |                                    |
| Water service                             | \$ -               | \$ 5,000        | \$ 13,388  | \$ 8,388                           |
| Sewer service                             |                    |                 | 15,248     | 15,248                             |
| Property taxes                            |                    | 45,000          | 50,466     | 5,466                              |
| Penalties and interest                    |                    |                 | 503        | 503                                |
| Tap connection and inspection             |                    | 600,000         | 243,682    | (356,318)                          |
| Groundwater reduction plan fees           |                    |                 | 5,186      | 5,186                              |
| Miscellaneous                             |                    |                 | 8,389      | 8,389                              |
| Investment earnings                       |                    |                 | 65         | 65                                 |
| Total Revenues                            |                    | 650,000         | 336,927    | (313,073)                          |
| <b>Expenditures</b>                       |                    |                 |            |                                    |
| Current service operations                |                    |                 |            |                                    |
| Purchased services                        |                    | 120,000         | 46,721     | 73,279                             |
| Professional fees                         | 39,000             | 148,000         | 112,682    | 35,318                             |
| Contracted services                       | 8,000              | 209,261         | 121,093    | 88,168                             |
| Repairs and maintenance                   |                    | 10,000          | 21,210     | (11,210)                           |
| Administrative                            | 10,500             | 20,500          | 19,826     | 674                                |
| Lease expense                             |                    | 54,000          |            | 54,000                             |
| Other                                     | 500                | 1,000           | 200        | 800                                |
| Total Expenditures                        | 58,000             | 562,761         | 321,732    | 241,029                            |
| <b>Revenues Over/(Under) Expenditures</b> | (58,000)           | 87,239          | 15,195     | (72,044)                           |
| <b>Other Financing Sources</b>            |                    |                 |            |                                    |
| Developer advances                        | 60,000             | 150,000         | 148,000    | (2,000)                            |
| <b>Net Change in Fund Balance</b>         | 2,000              | 237,239         | 163,195    | (74,044)                           |
| <b>Fund Balance</b>                       |                    |                 |            |                                    |
| Beginning of the year                     |                    |                 |            |                                    |
| End of the year                           | \$ 2,000           | \$ 237,239      | \$ 163,195 | \$ (74,044)                        |

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Required Supplementary Information***  
***March 31, 2021***

**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. The budget was amended during the year to reflect changes in anticipated revenues and expenditures.

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## **Texas Supplementary Information**

**Brazoria-Fort Bend Counties Municipal Utility District No. 3**  
**TSI-1. Services and Rates**  
**March 31, 2021**

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

|                                                                                                                                       |                                               |                                                |                                              |
|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|------------------------------------------------|----------------------------------------------|
| <input checked="" type="checkbox"/> Retail Water                                                                                      | <input type="checkbox"/> Wholesale Water      | <input type="checkbox"/> Solid Waste / Garbage | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater                                                                                 | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control         | <input type="checkbox"/> Irrigation          |
| <input checked="" type="checkbox"/> Parks / Recreation                                                                                | <input type="checkbox"/> Fire Protection      | <input checked="" 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

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

|                        | Minimum<br>Charge | Minimum<br>Usage | Flat Rate<br>(Y / N) | Rate per 1,000<br>Gallons Over<br>Minimum Usage | Usage Levels |             |
|------------------------|-------------------|------------------|----------------------|-------------------------------------------------|--------------|-------------|
| Water:                 | \$ 24.89          | 10,000           | N                    | \$ 2.75                                         | 10,001       | to no limit |
| Wastewater:            | \$ 27.50          | 10,000           | N                    | \$ 2.75                                         | 10,001       | to no limit |
| Groundwater Reduction: | \$ 4.68           | 0                | N                    | \$ 4.68                                         | 0            | to no limit |

District employs winter averaging for wastewater usage? ☐ Yes ☒ No

Total charges per 10,000 gallons usage: Water \$ 71.69 Wastewater \$ 27.50

b. Water and Wastewater Retail Connections:

| Meter Size       | Total | Active | ESFC Factor | Active |
|------------------|-------|--------|-------------|--------|
| Unmetered        |       |        | x 1.0       |        |
| less than 3/4"   | 140   | 138    | x 1.0       | 138    |
| 1"               |       |        | x 2.5       |        |
| 1.5"             | 1     | 1      | x 5.0       | 5      |
| 2"               | 4     | 4      | x 8.0       | 32     |
| 3"               |       |        | x 15.0      |        |
| 4"               |       |        | x 25.0      |        |
| 6"               |       |        | x 50.0      |        |
| 8"               |       |        | x 80.0      |        |
| 10"              |       |        | x 115.0     |        |
| Total Water      | 145   | 143    |             | 175    |
| Total Wastewater | 139   | 137    | x 1.0       | 137    |

See accompanying auditor's report.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***TSI-1. Services and Rates***  
***March 31, 2021***

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

|                              |                  |                                   |
|------------------------------|------------------|-----------------------------------|
| Gallons purchased:           | <u>2,709,000</u> | Water Accountability Ratio:       |
|                              |                  | (Gallons billed / Gallons pumped) |
| Gallons billed to customers: | <u>2,709,000</u> | <u>100.00%</u>                    |

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

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

Is the District located entirely within one county? Yes ☐ No ☒

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

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

City(ies) in which the District is located: \_\_\_\_\_

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely ☒ Partly ☐ Not at all ☐

ETJs in which the District is located: City of Alvin

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

If Yes, by whom? \_\_\_\_\_

See accompanying auditor's report.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***TSI-2 General Fund Expenditures***  
***For the Year Ended March 31, 2021***

|                               |                   |
|-------------------------------|-------------------|
| Purchased services            | <u>\$ 46,721</u>  |
| Professional fees             |                   |
| Legal                         | 105,301           |
| Engineering                   | <u>7,381</u>      |
|                               | <u>112,682</u>    |
| Contracted services           |                   |
| Bookkeeping                   | 7,100             |
| Operator                      | 4,830             |
| Garbage collection            | 83                |
| Tax assessor/collector        | 3,775             |
| Tap connection and inspection | 104,369           |
| Appraisal District fees       | <u>936</u>        |
|                               | <u>121,093</u>    |
| Repairs and maintenance       | <u>21,210</u>     |
| Administrative                |                   |
| Directors fees                | 8,250             |
| Printing and office supplies  | 5,873             |
| Insurance                     | 2,878             |
| Other                         | <u>2,825</u>      |
|                               | <u>19,826</u>     |
| Other                         | <u>200</u>        |
| Total expenditures            | <u>\$ 321,732</u> |

See accompanying auditor's report.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund***  
***For the Current Fiscal Year***

|                                            | Amounts          | Percent of<br>Fund Total<br>Revenues |
|--------------------------------------------|------------------|--------------------------------------|
|                                            | 2021             | 2021                                 |
| Revenues                                   |                  |                                      |
| Water service                              | \$ 13,388        | 4%                                   |
| Sewer service                              | 15,248           | 5%                                   |
| Property taxes                             | 50,466           | 15%                                  |
| Penalties and interest                     | 503              | *                                    |
| Tap connection and inspection              | 243,682          | 72%                                  |
| Groundwater reduction plan fees            | 5,186            | 2%                                   |
| Miscellaneous                              | 8,389            | 2%                                   |
| Investment earnings                        | 65               | *                                    |
| Total Revenues                             | <u>336,927</u>   | <u>100%</u>                          |
| Expenditures                               |                  |                                      |
| Current service operations                 |                  |                                      |
| Purchased services                         | 46,721           | 14%                                  |
| Professional fees                          | 112,682          | 33%                                  |
| Contracted services                        | 121,093          | 36%                                  |
| Repairs and maintenance                    | 21,210           | 6%                                   |
| Administrative                             | 19,826           | 6%                                   |
| Other                                      | 200              | *                                    |
| Total Expenditures                         | <u>321,732</u>   | <u>95%</u>                           |
| Revenues Over Expenditures                 | <u>\$ 15,195</u> | <u>5%</u>                            |
| Total Active Retail Water Connections      | <u>143</u>       |                                      |
| Total Active Retail Wastewater Connections | <u>137</u>       |                                      |

\*Percentage is negligible

See accompanying auditor's report.



***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund***  
***For the Current Fiscal Year***

|                                            | Amounts          | Percent of<br>Fund Total<br>Revenues |
|--------------------------------------------|------------------|--------------------------------------|
|                                            | 2021             | 2021                                 |
| Revenues                                   |                  |                                      |
| Water service                              | \$ 13,388        | 4%                                   |
| Sewer service                              | 15,248           | 5%                                   |
| Property taxes                             | 50,466           | 15%                                  |
| Penalties and interest                     | 503              | *                                    |
| Tap connection and inspection              | 243,682          | 72%                                  |
| Groundwater reduction plan fees            | 5,186            | 2%                                   |
| Miscellaneous                              | 8,389            | 2%                                   |
| Investment earnings                        | 65               | *                                    |
| Total Revenues                             | <u>336,927</u>   | <u>100%</u>                          |
| Expenditures                               |                  |                                      |
| Current service operations                 |                  |                                      |
| Purchased services                         | 46,721           | 14%                                  |
| Professional fees                          | 112,682          | 33%                                  |
| Contracted services                        | 121,093          | 36%                                  |
| Repairs and maintenance                    | 21,210           | 6%                                   |
| Administrative                             | 19,826           | 6%                                   |
| Other                                      | 200              | *                                    |
| Total Expenditures                         | <u>321,732</u>   | <u>95%</u>                           |
| Revenues Over Expenditures                 | <u>\$ 15,195</u> | <u>5%</u>                            |
| Total Active Retail Water Connections      | <u>143</u>       |                                      |
| Total Active Retail Wastewater Connections | <u>137</u>       |                                      |

\*Percentage is negligible

See accompanying auditor's report.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***TSI-8. Board Members, Key Personnel and Consultants***  
***For the Year Ended March 31, 2021***

Complete District Mailing Address: 9 Greenway Plaza, Suite 1000, Houston, TX 77046-0900  
District Business Telephone Number: 713-651-0111  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): May 12, 2020  
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<br>(Elected or<br>Appointed) or<br>Date Hired | Fees of Office<br>Paid * | Expense<br>Reimburse-<br>ments | Title at Year End           |
|--------------------------------------|--------------------------------------------------------------|--------------------------|--------------------------------|-----------------------------|
| Board Members                        |                                                              |                          |                                |                             |
| Corinne Haworth                      | 05/20 - 05/24                                                | \$ 1,500                 |                                | President                   |
| Julie Winkle                         | 05/20 - 05/22                                                | 1,650                    |                                | Vice President              |
| Darby Kent                           | 05/20 - 05/24                                                | 1,650                    |                                | Secretary                   |
| Bret Fugate                          | 05/20 - 05/22                                                | 1,500                    |                                | Assistant Secretary         |
| Alexa Ignasiak                       | 05/20 - 05/24                                                | 1,500                    |                                | Assistant Vice<br>President |
| Consultants                          |                                                              |                          |                                |                             |
|                                      |                                                              | Amounts<br>Paid          |                                |                             |
| Coats Rose P.C.                      | 2020                                                         | \$ 86,895                |                                | Attorney                    |
| SI Environmental                     | 2020                                                         | 57,034                   |                                | Operator                    |
| Myrtle Cruz Inc.                     | 2020                                                         | 6,575                    |                                | Bookkeeper                  |
| Utility Tax Services                 | 2020                                                         | 3,500                    |                                | Tax Collector               |
| Fort Bend Central Appraisal District | Legislation                                                  | 730                      |                                | Property Valuation          |
| Brazoria Central Appraisal District  | Legislation                                                  | 206                      |                                | Property Valuation          |
| Coats Rose P.C.                      | 2020                                                         |                          |                                | Delinquent Tax<br>Attorney  |
| LJA Engineering                      | 2020                                                         |                          |                                | Engineer                    |
| McGrath & Co., PLLC                  | 2020                                                         |                          |                                | Auditor                     |
| Tierra Financial Advisors            | 2020                                                         |                          |                                | Financial Advisor           |

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

**APPENDIX B**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

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