

OFFICIAL STATEMENT DATED AUGUST 31, 2022

IN THE OPINION OF BOND COUNSEL (HEREIN 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 TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2022. SEE "LEGAL MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (AGM Insured) "AA"
See "MUNICIPAL BOND INSURANCE" and "RATING"

\$4,330,000

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 7

(A Political Subdivision of the State of Texas Located within Montgomery County)

UNLIMITED TAX ROAD BONDS, SERIES 2022

Dated Date: September 1, 2022

Interest accrues from: Date of Delivery

Due: September 1, as shown on inside cover

The \$4,330,000 Unlimited Tax Road Bonds, Series 2022 (the "Bonds"), are obligations of East Montgomery County Municipal Utility District No. 7 (the "District") and are not obligations of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to 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 Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar"), or any successor 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. See "THE BONDS – Book-Entry-Only System."

Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Registered Owner(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. The Bonds are dated September 1, 2022 (the "Dated Date") and will accrue interest from the date of delivery, which is expected to be on or about September 29, 2022 (the "Date of Delivery"), with interest payable on March 1, 2023, and each September 1 and March 1 thereafter to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, such interest is payable by check mailed to such persons or by other means acceptable to such person and the Paying Agent/Registrar. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on inside cover hereof.

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



The Bonds constitute the first series of unlimited tax bonds issued by the District for road purposes. At various elections held within the District, voters of the District authorized the District's issuance of \$163,110,503 principal amount of unlimited tax bonds for road purposes; \$191,254,893 principal amount of unlimited tax bonds for water, sewer, and drainage purposes; and \$37,900,000 for parks and recreational purposes. Following issuance of the Bonds, \$158,780,503 principal amount of authorized unlimited tax bonds for road purposes; \$182,159,893 principal amount of unlimited tax bonds for water, sewer and drainage purposes; and \$37,900,000 principal amount of unlimited tax bonds for park and recreation purposes will remain authorized but unissued. See "THE BONDS – Authority for Issuance."

The Bonds, when issued, will constitute valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS – Source of Payment."

Investment in the Bonds is subject to special risk factors as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "RISK FACTORS," before making an investment decision. See "RISK FACTORS."

The Bonds are offered when, as, and if issued by the District and accepted by the winning bidder for the Bonds (the "Initial Purchaser"), subject among other things to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. The Bonds in definitive form are expected to be available for delivery on or about September 29, 2022. See "LEGAL MATTERS."

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

\$4,330,000 Unlimited Tax Road Bonds, Series 2022

\$645,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 27373D (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 27373D (b)
2024	\$ 95,000	6.500%	2.800%	DD2	2027	\$ 110,000	6.500%	3.100%	DG5
2025	100,000	6.500%	2.900%	DE0	2028	115,000	6.500%	3.200%	DH3
2026	105,000	6.500%	3.000%	DF7	2029	120,000	6.250%	3.300%	DJ9

\$3,685,000 Term Bonds

\$255,000 Term Bond Due September 1, 2031 (c)(d), Interest Rate: 4.500% (Price: \$106.097) (a), CUSIP No. 27373D DL4 (b)

\$280,000 Term Bond Due September 1, 2033 (c)(d), Interest Rate: 4.000% (Price: \$101.204) (a), CUSIP No. 27373D DN0 (b)

\$305,000 Term Bond Due September 1, 2035 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 27373D DQ3 (b)

\$335,000 Term Bond Due September 1, 2037 (c)(d), Interest Rate: 4.000% (Price: \$99.220) (a), CUSIP No. 27373D DS9 (b)

\$370,000 Term Bond Due September 1, 2039 (c)(d), Interest Rate: 4.000% (Price: \$98.186) (a), CUSIP No. 27373D DU4 (b)

\$400,000 Term Bond Due September 1, 2041 (c)(d), Interest Rate: 4.000% (Price: \$96.769) (a), CUSIP No. 27373D DW0 (b)

\$675,000 Term Bond Due September 1, 2044 (c)(d), Interest Rate: 4.125% (Price: \$97.528) (a), CUSIP No. 27373D DZ3 (b)

\$1,065,000 Term Bond Due September 1, 2048 (c)(d), Interest Rate: 4.250% (Price: \$98.298) (a), CUSIP No. 27373D ED1 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2030, and thereafter shall be subject to redemption and payment at the option of the District, in whole, or from time to time in part, on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory redemption as provided under "THE BONDS – Redemption Provisions – *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.

All of the summaries of the statutes, orders, resolutions, contracts, audited financial statements, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor to the District, Robert W. Baird & Co. Incorporated, 1331 Lamar Street, Suite 1360, Houston, Texas 77010.

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

This Official Statement 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.

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

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the 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 97.002745% of the principal amount thereof, which resulted in a net effective interest rate of 4.419322% calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. 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, subject to certain restrictions described in the Official Notice of Sale, 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") will issue its Municipal Bond Insurance Policy for the Bonds (the "Bond Insurance Policy"). 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 APPENDIX B to this Official Statement.

The Bond Insurance 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 July 8, 2022, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On 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.

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 June 30, 2022:

- The policyholders' surplus of AGM was approximately \$2,779 million.
- The contingency reserve of AGM was approximately \$905 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,114 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);
- (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; and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 (filed by AGL with the SEC on August 4, 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 "MUNICIPAL BOND INSURANCE - Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through

incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

RATING

The Bonds have received an insured rating of "AA" (stable outlook) from S&P solely in reliance upon the issuance and delivery of the Bond Insurance Policy at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. 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 ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The District is not aware of any rating assigned the Bonds other than the rating discussed above.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

- The District East Montgomery County Municipal Utility District No. 7 (the "District"), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See "THE DISTRICT."

- The Bonds The District is issuing its \$4,330,000 Unlimited Tax Road Bonds, Series 2022 (the "Bonds"). The Bonds are dated September 1, 2022 (the "Dated Date") and will accrue interest from the date of delivery, which is expected to be on or about September 29, 2022 (the "Date of Delivery"), with interest payable on March 1, 2023, and each September 1 and March 1 thereafter until maturity or prior redemption. See "THE BONDS" herein.

- Redemption The Bonds maturing on or after September 1, 2030, are subject to redemption prior to maturity at the option of the District, in whole or in part, on September 1, 2029, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS - Redemption Provisions - *Optional Redemption.*"

The Bonds maturing on September 1, 2024, through September 1, 2029, both inclusive, are serial bonds. The Bonds maturing on September 1 in the years 2031, 2033, 2035, 2037, 2039, 2041, 2044, and 2048 are term bonds (the "Term Bonds"), that are also subject to mandatory sinking fund redemption as provided herein under "THE BONDS - Redemption of the Bonds - *Mandatory Redemption.*"

- Source of Payment Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; or any entity other than the District. See "THE BONDS - Source of Payment."

- Payment Record The Bonds are the first series of unlimited tax bonds issued by the District for the purpose of constructing or acquiring road facilities to serve the District (the "Road System"). See "THE BONDS - Source of Payment."

- Authority of Issuance The Bonds constitute the first series of unlimited tax bonds issued by the District for the Road System. At various elections held within the District, voters of the District authorized the District's issuance of \$163,110,503 principal amount of unlimited tax bonds for the Road System; \$191,254,893 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, sewer, and drainage facilities (the "System"); and \$37,900,000 for parks and recreational purposes.

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 53, Texas Water Code, amended; an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Supervisors of the District (the "Board"); and various elections held within the District on May 18, 2007, and November 7, 2017. See "THE BONDS - Authority for Issuance."

- Use of Proceeds The proceeds from the Bonds will be used to finance the District's share of the following projects: (i) road improvement construction projects for Tavola Sections 20, 21, 25, 28-31; and (ii) engineering, testing and SWPPP for item (i). Proceeds of the Bonds will also be used to finance developer interest, twelve (12) months of capitalized interest and cost of issuance fees for the Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."

Qualified Tax-Exempt Obligations	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by the District during calendar year 2022 is not reasonably expected to exceed \$10,000,000. See “QUALIFIED TAX-EXEMPT OBLIGATIONS.”
Outstanding Bonds	The District has previously issued three series of bonds for the System: \$3,100,000 Unlimited Tax Bonds, Series 2020; \$1,785,000 Unlimited Tax Bonds, Series 2021; and \$4,210,000 Unlimited Tax Bonds, Series 2022 (the “Outstanding Bonds”).
Municipal Bond Insurance.....	Assured Guaranty Municipal Corp. (“AGM”). See “MUNICIPAL BOND INSURANCE.”
Rating	S&P Global Ratings (AGM Insured): “AA.” See “RATING.”
Legal Opinion.....	Coats Rose, P.C., Houston, Texas, Bond Counsel. See “LEGAL MATTERS.”
Disclosure Counsel.....	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.

THE DISTRICT

Description.....	East Montgomery County Municipal Utility District No. 7, a political subdivision of the State of Texas, is located in Montgomery County, Texas, approximately 30 miles northeast of the City of Houston, Texas and approximately 3 miles north of the City of New Caney, Texas. All of the land within the District is within the extraterritorial jurisdiction of the City of Houston, Texas. See “THE DISTRICT – General” and “– Description.”
Authority.....	The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT – General.”
Tavola.....	The District is a part of the master-planned development known as “Tavola.” Tavola includes approximately 1,500 total acres and is located in Montgomery County, Texas, approximately 30 miles northeast of the City of Houston, Texas and approximately 3 miles north of the City of New Caney, Texas. Initial development within Tavola is underway in the District. See “TAVOLA.”
Status of Development.....	Of the approximately 495 total acres of land located within the District, approximately 301 acres (1,019 lots) within the District have been developed with water distribution, sanitary sewer and storm drainage facilities to serve the single-family residential subdivisions of Tavola, Sections 20, 21, 25, 28 – 37, 41 – 42 and 44. As of August 9, 2022, single-family development in the District included 576 completed and occupied homes; 0 completed and unoccupied homes; 190 homes under construction; and 253 vacant, developed lots. Tavola, Sections 43, 45, 46 and 47 are anticipated to be developed by the end of 2022. See “DEVELOPMENT STATUS OF THE DISTRICT.”
Developer.....	Land within the District is being developed by Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership d/b/a Friendswood Development Company (the “Developer”). See “DEVELOPER” and “TAVOLA.”
Homebuilders	Homebuilders who are active in the District include Perry Homes, Lennar Homes, M/I Homes, and Lakewood Homes. Prices of new homes being constructed in the District range from \$200,000–\$425,000. See “DEVELOPMENT STATUS OF THE DISTRICT – Homebuilders in the District.”

INFECTIOUS DISEASE OUTLOOK – COVID-19

Infectious Disease Outlook – 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.

RISK FACTORS

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

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2022 Certified Taxable Assessed Valuation	\$ 132,709,320	(a)
Estimate of Value as of July 1, 2022.....	\$ 183,862,837	(b)
Direct Debt:		
The Outstanding Bonds (As of delivery of the Bonds)	\$ 8,895,000	
The Bonds	<u>4,330,000</u>	
Total.....	\$ 13,225,000	
Estimated Overlapping Debt	<u>\$ 12,208,558</u>	(c)
Total Direct and Estimated Overlapping Debt.....	\$ 25,433,558	(c)
Direct Debt Ratios:		
As a percentage of the 2022 Certified Taxable Assessed Valuation	9.97	%
As a percentage of the Estimate of Value as of July 1, 2022.....	7.19	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2022 Certified Taxable Assessed Valuation	19.16	%
As a percentage of the Estimate of Value as of July 1, 2022.....	13.83	%
General Operating Fund Balance (As of June 22, 2022).....	\$ 66,335	
Utility System Debt Service Fund Balance (As of June 22, 2022).....	\$ 479,460	(d)
Road System Debt Service Fund Balance (As of delivery of the Bonds)	\$ 193,806	(e)
Capital Projects Fund Balance (As of June 22, 2022)	\$ 308,649	
2021 Tax Rate		
Debt Service.....	\$0.400	
Maintenance & Operation.....	\$0.410	
Contract Tax	<u>\$0.490</u>	(f)
Total.....	\$1.300	(g)
Combined Average Annual Debt Service Requirement (2023-2048)	\$ 789,452	(h)
Combined Maximum Annual Debt Service Requirement (2045)	\$ 840,710	(h)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement (2023-2048) at 95% Tax Collections		
Based on the 2022 Certified Taxable Assessed Valuation	\$0.63	
Based on the Estimate of Value as of July 1, 2022.....	\$0.46	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Service Requirement (2045) at 95% Tax Collections		
Based on the 2022 Certified Taxable Assessed Valuation	\$0.67	
Based on the Estimate of Value as of July 1, 2022.....	\$0.49	

- (a) Represents the certified taxable assessed valuation as of January 1, 2022, of all taxable property located within the District, as provided by the Montgomery Central Appraisal District (the "Appraisal District") upon original certification of the 2022 tax rolls. This value includes \$8,198,120, which represents 80% of the value within the District which is under review. See "TAXING PROCEDURES" and "TAX DATA."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property in the District as of July 1, 2022, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed from January 1, 2022, through July 1, 2022. No taxes will be levied on this estimated value. See "TAXING PROCEDURES" and "TAX DATA."
- (c) See "DISTRICT DEBT - Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the Utility System Debt Service Fund (herein defined). The funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Outstanding Bonds, not the Contract Revenue Bonds (as defined herein) or the Bonds.
- (e) Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the Road System Debt Service Fund (herein defined). Twelve (12) months of capitalized interest on the Bonds will be deposited into this Road System Debt Service Fund upon closing of the Bonds. The funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Bonds, not the Contract Revenue Bonds, the Outstanding Bonds, or any future bonds issued for the Utility System.
- (f) Contract Taxes (defined herein) are levied to pay the District's share of the Contract Revenue Bonds. See "RISK FACTORS - Contract Tax" and "THE SYSTEM - The Master District" herein.
- (g) The District has authorized the publication of the intended total tax rate of \$1.300 per \$100 of assessed valuation for the 2022 tax year. Such rate is expected to be composed of the following: a maintenance and operations tax rate of \$0.345 per \$100 of assessed valuation; a system debt service tax rate of \$0.430 per \$100 of assessed valuation; a road debt service tax rate of \$0.120 per \$100 of assessed valuation; and a contract tax rate of \$0.405 per \$100 of assessed valuation.
- (h) Requirement of debt service on the Bonds and the Outstanding Bonds. See "DISTRICT DEBT - Debt Service Requirements."

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by East Montgomery County Municipal Utility District No. 7 (the "District") of its \$4,330,000 Unlimited Tax Road Bonds, Series 2022 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 53, Texas Water Code, amended; an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Supervisors of the District (the "Board"); and various elections held within the District on May 18, 2007, and November 7, 2017.

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

This Official Statement includes descriptions of the Bonds, the Developer (herein defined), the Bond Order, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046, upon payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

RISK FACTORS

General

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

Economic Factors Affecting Taxable Values and Tax Payments

The rate of development within the District is directly related to the vitality of the single-family housing in the Houston, Texas metropolitan area. New single-family residential construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of single-family residential construction would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development within the District. See "DEVELOPMENT STATUS OF THE DISTRICT."

Developer's Obligations to the District: There is no commitment by or legal requirement of the Developer or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any home builder 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 profitability 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 STATUS OF THE DISTRICT" and "DEVELOPER."

Maximum Impact on District Tax Rate: Assuming no further development or home construction, the value of the land, improvements, and other taxable property currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The Certified Taxable Assessed Valuation as of January 1, 2022, of all taxable property located within the District is \$132,709,320 and the Estimate of Value as of July 1, 2022, of all taxable property located within the District is \$183,862,837. After issuance of the Bonds, the maximum annual debt service requirement of the Outstanding Bonds (herein defined) and the Bonds (2045) will be \$840,710, and the average annual debt service requirement of the Bonds (2023–2048) will be \$789,452. See "DISTRICT DEBT – Estimated Debt Service Requirements."

Assuming no increase or decrease from the District's Certified Taxable Assessed Valuation as of January 1, 2022, a tax rate of \$0.67 and \$0.63 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively.

Assuming no increase or decrease from the Estimate of Value as of July 1, 2022, a tax rate of \$0.49 and \$0.46 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the estimated maximum annual debt service

requirement and the estimated average annual debt service requirement, respectively. In 2021, the District levied a total tax in the amount of \$1.30 per \$100 of assessed valuation made up of the following: a tax of \$0.40 for utility debt service, a tax of \$0.41 for maintenance and operations and a tax of \$0.49 for contract tax purposes. The District has authorized the publication of the intended total tax rate of \$1.300 per \$100 of assessed valuation for the 2022 tax year. Such rate is expected to be composed of the following: a maintenance and operations tax rate of \$0.345 per \$100 of assessed valuation; a system debt service tax rate of \$0.430 per \$100 of assessed valuation; a road debt service tax rate of \$0.120 per \$100 of assessed valuation; and a contract tax rate of \$0.405 per \$100 of assessed valuation.

Contract Tax

The District is located in the master-planned development of Tavola ("Tavola"). Two other municipal utility districts, East Montgomery County Municipal Utility District No. 5 ("MUD 5" or the "Master District") and East Montgomery County Municipal Utility District No. 6 ("MUD 6"), overlay the remaining portions of Tavola not encompassed by the District. The Master District is responsible for constructing or otherwise obtaining the water supply and wastewater treatment, as well as the regional water distribution and wastewater collection trunklines and drainage and detention facilities necessary to serve Tavola (collectively, the "Master District Facilities" as further defined in "THE SYSTEM - The Master District"). By execution of the "Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities" (the "Master District Contract"), MUD 5, the District, and MUD 6 (collectively referred to as the "Participants" or the "Tavola MUDs" and individually as a "Participant") are obligated to pay a pro rata share of debt service on bonds to be issued by the Master District to finance the Master District Facilities (the "Contract Revenue Bonds") based upon the certified assessed valuation of each Participant. Each Participant, including the District, is obligated to pay its pro rata share of debt service on the Contract Revenue Bonds from the proceeds of ad valorem taxes levied by such district for such purpose (the "Contract Tax") or from any other lawful source of district income. The Master District has previously issued six series of Contract Revenue Bonds, of which \$28,395,000 principal amount remains outstanding. The District levied a Contract Tax of \$0.49 per \$100 of assessed valuation for the 2021 tax year. The Master District is authorized, without additional voter approval, to issue Contract Revenue Bonds in an amount necessary to finance the Master District Facilities to serve the entire development of Tavola.

To date, most of the development within Tavola has occurred within the District and MUD 6. The Certified Taxable Assessed Valuation of the District as of January 1, 2022 (\$132,709,320), represents 29.62% of the total Certified Taxable Assessed Valuation as of January 1, 2022, within all of Tavola (\$420,338,426) and the estimate of value as of July 1, 2022, of the District (\$183,862,837) represents 33.99% of the estimate of value as of July 1, 2022, of all taxable property located within Tavola (\$540,944,107*).

The Master District still owes approximately \$2,577,164 to the Developer for Master District Facilities. The District cannot represent whether any of the development planned or occurring in the area within the Tavola MUDs served by the Master District Facilities (the "Service Area") will be successful. A levy of a Contract Tax to substantially high levels could have an adverse impact upon future development and upon development and home sales within the Service Area, including the District, and the ability of the District to collect, and the willingness of owners of property located within the Service Area to pay, the ad valorem taxes levied by the Tavola MUDs (including the Contract Tax).

Tax Collections and Foreclosure Remedies

The District's ability to make debt service payments on the Outstanding Bonds, the Bonds, and on the Contract Revenue Bonds may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property.

Moreover, the proceeds of any sale of property within the District available to pay debt service on the Outstanding Bonds, the Bonds, and its pro rata share of the Contract Revenue Bonds may be limited by the existence of other tax liens on the property (see "TAX DATA - Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property after foreclosure). Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer.

*For the EMC MUD 5 portion, the March 1, 2022 Estimate of Value was used.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners of the Bonds (the "Registered Owners") have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a district, such as the District, to obtain the approval of the Texas Commission on Environmental Quality (the "TCEQ") as a condition to seeking relief under the Federal Bankruptcy Code.

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 appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

If the petitioning District were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district. The District may not be placed into bankruptcy involuntarily.

Marketability of the Bonds

The District has no understanding with the winning bidder for the Bonds (the "Initial Purchaser") 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 may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, since such bonds are more generally bought, sold and traded in the secondary market.

National Weather Service Atlas 14 Rainfall Study

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

Future Debt

After issuance of the Bonds, the following amounts of unlimited tax bonds will remain authorized but unissued: \$158,780,503 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring a road system (the "Road System") to serve the District; \$182,159,893 principal amount of unlimited tax bonds for the purpose of constructing

or acquiring water, sewer and drainage facilities (the "System"); and \$37,900,000 principal amount of unlimited tax bonds for parks and recreation facilities.

The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and, in the case of bonds for the utility systems and recreational facilities, approved by the TCEQ). The District's issuance of bonds for roads is not subject to approval by the TCEQ. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose.

Further, the Master District has existing voter approved authority to issue an aggregate \$225,000,000 principal amount of unlimited tax contract revenue bonds from which, to date, the Master District has issued \$28,395,000 principal amount, and \$196,605,000 principal amount of unlimited tax contract revenue bonds remains authorized but unissued. Unlimited tax contract revenue bonds issued by the Master District will be primarily supported by ad valorem taxes levied on property owners in the District until additional development, if any, occurs in the other Tavola MUDs. The District cannot represent whether any of the development planned or occurring in the area within the Service Area will be successful. The levy of a Contract Tax to substantially higher levels could have an adverse impact upon future development and upon development and home sales within the Service Area, including the District, and the ability of each Tavola MUD to collect, and the willingness of owners of property located within the Service Area to pay, ad valorem taxes (including the Contract Tax). See "THE SYSTEM." The issuance of additional obligations by the District or the Master District may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds. See "DEVELOPMENT STATUS OF THE DISTRICT."

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer (herein defined), the remaining \$182,159,893 principal amount of authorized but unissued bonds for the System will be sufficient to fully reimburse the Developer for the System to serve the remaining undeveloped but developable land within the District.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer, following the issuance of the Bonds, the remaining \$158,780,503 principal amount of authorized but unissued road bonds will be sufficient to fully reimburse the Developer for the Road System to serve the remaining undeveloped but developable land within the District.

The principal amount of bonds issued to finance parks and recreational facilities may not exceed 1% of the District's assessed value, however, effective June 14, 2021, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not 3% of the value of taxable property in the District.

Following the issuance of the Bonds, the District will owe the Developer approximately \$16,220,392 for expenditures to construct water, sanitary sewer, drainage, and road facilities serving the developed land within the District.

Collection of Taxes

The District's ability to pay debt service on the Outstanding Bonds, the Bonds, and its pro rata share of the Contract Revenue Bonds may be adversely affected by its ability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien on the property in favor of the District on a parity with the lien of all other state and local authorities. Such lien can be foreclosed in judicial proceedings. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) collection procedures, (b) a bankruptcy court's stay of a tax collection procedure against a taxpayer or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property including the taxpayer's right to redeem property for a specified period of time after foreclosure at the foreclosure sale price. See "TAXING PROCEDURES - Levy and Collection of Taxes."

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure 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 "LEGAL 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.

Environmental Regulations

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

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

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

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

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

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court’s ruling, the TCEQ has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018.

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 (6) 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 90 contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. 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 (4) categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands

adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR is effective June 22, 2020 and is currently the subject of ongoing litigation.

On July 30, 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, 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.

Infectious Disease Outlook – 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.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Potential Effects of Oil Price Declines on the Houston Area

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

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms, hurricanes, tornadoes, flooding, and other natural disasters. 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.

On August 25, 2017, Hurricane Harvey made landfall on the Texas Gulf Coast. The Houston area, including Montgomery County, Texas, sustained widespread rain damage and flooding as a result of Hurricane Harvey's landfall, and historic levels of rainfall during the succeeding four days.

According to the Engineer, neither the District's nor the Master District's water, sanitary sewer, and drainage facilities sustained damage as a result of Hurricane Harvey, and there was no interruption of water and sewer service. Furthermore, according to the Engineer, there were no structures in the District that experienced flooding or structural damage. The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See "TAXING PROCEDURES – Valuation of Property for Taxation."

If a future weather event or natural disaster significantly damaged taxable property 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 in 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.

Competitive Nature of Houston Residential Housing Market

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

Reappraisal of Property

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

Bond Insurance Risk Factors

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

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

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

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

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

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

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 Order. A copy of the Bond Order may be obtained from the District upon request to Coats Rose, P.C., Houston, Texas, Bond Counsel. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated September 1, 2022 (the "Dated Date") and will accrue interest from the date of delivery, which is expected to be on or about September 29, 2022 (the "Date of Delivery"), with interest payable on March 1, 2023, and each September 1 and March 1 until maturity or redemption. The Bonds maturing September 1, 2030, and thereafter are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a particular maturity are redeemed, the Paying Agent/Registrar (as defined herein) shall select the particular Bonds to be redeemed by random selection method.

The Bonds will be issued only in fully registered form in any integral multiples of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar").

Record Date for Interest Payment

Interest on the Bonds will be paid to the Registered Owners appearing on the registration and transfer books (the "Register") of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United

States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. In the event of non-payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

Book-Entry-Only System

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

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

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

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

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

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

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

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

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

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

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, The Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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, Bond certificates are required to be printed and delivered.

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

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 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 Order will be given only to DTC.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of the Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity which they determine to be sufficient to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

The Bonds constitute the first series of unlimited tax bonds issued by the District for the Road System. At various elections held within the District, voters of the District authorized the District's issuance of \$163,110,503 principal amount of unlimited tax bonds for the Road System; \$191,254,893 principal amount of unlimited tax bonds for the Utility System and \$37,900,000 for parks and recreational purposes. Following issuance of the Bonds, \$158,780,503 principal amount of authorized unlimited tax bonds for the Road System; \$182,159,893 principal amount of unlimited tax bonds for the Utility System; and \$37,900,000 principal amount of unlimited tax bonds for par and recreation purposes will remain authorized but unissued. The bonds authorized by the resident electors of the District, the amount of bonds issued, and the remaining authorized but unissued bonds are as follows:

Election Date	Purpose	Amount Authorized	Amount Issued	Remaining Authorized But Unissued
May 18, 2007	Water, Sewer, and Drainage	\$ 81,254,893	\$ 9,095,000	\$ 72,159,893
May 18, 2007	Roads	\$ 65,110,503	4,330,000 (a)	\$ 60,780,503
November 7, 2017	Water, Sewer, and Drainage	\$110,000,000	-	\$ 110,000,000
November 7, 2017	Roads	\$ 98,000,000	-	\$ 98,000,000
November 7, 2017	Parks & Recreation	\$ 37,900,000	-	\$ 37,900,000

(a) Includes the Bonds.

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 53, Texas Water Code, amended; the Bond Order adopted by the Board; and various elections held within the District on May 18, 2007, and November 7, 2017.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Source of Payment

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax levied without legal limitation as to rate or amount against taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Debt Service Fund and used to pay principal of and interest on the Bonds and on any additional bonds payable from taxes which may hereafter be issued by the District.

Redemption Provisions

Optional Redemption

The Bonds maturing September 1, 2030, and thereafter shall be subject to redemption at the option of the District, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If 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 a random selection method in integral multiples of \$5,000 within any one maturity. The Registered Owner 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 Bonds maturing on September 1 in the years 2031, 2033, 2035, 2037, 2039, 2041, 2044, and 2048 are term bonds (the "Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

\$255,000 Term Bond Maturing on September 1, 2031

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2030	\$ 125,000
September 1, 2031 (Maturity)	\$ 130,000

\$280,000 Term Bond Maturing on September 1, 2033

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2032	\$ 135,000
September 1, 2033 (Maturity)	\$ 145,000

\$305,000 Term Bond Maturing on September 1, 2035

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2034	\$ 150,000
September 1, 2035 (Maturity)	\$ 155,000

\$335,000 Term Bond Maturing on September 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2036	\$ 165,000
September 1, 2037 (Maturity)	\$ 170,000

\$370,000 Term Bond Maturing on September 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2038	\$ 180,000
September 1, 2039 (Maturity)	\$ 190,000

\$400,000 Term Bond Maturing on September 1, 2041

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2040	\$ 195,000
September 1, 2041 (Maturity)	\$ 205,000

\$675,000 Term Bond Maturing on September 1, 2044

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2042	\$ 215,000
September 1, 2043	\$ 225,000
September 1, 2044 (Maturity)	\$ 235,000

\$1,065,000 Term Bond Maturing on September 1, 2048

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2045	\$ 250,000
September 1, 2046	\$ 260,000
September 1, 2047	\$ 270,000
September 1, 2048 (Maturity)	\$ 285,000

On or before 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 Order. The principal amount of any Term Bond 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 sentence.

Outstanding Bonds

The District has previously issued three series of bonds for the System: \$3,100,000 Unlimited Tax Bonds, Series 2020; \$1,785,000 Unlimited Tax Bonds, Series 2021; and \$4,210,000 Unlimited Tax Bonds, Series 2022 (the "Outstanding Bonds").

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a consent ordinance of the City. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater system 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.

Defeasance

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

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

reservation be included in any redemption notices that it authorizes. In the Bond Order, the District has specifically reserved the right to call the Bonds for redemption after the defeasance thereof.

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

Issuance of Additional Debt

The District may issue additional bonds necessary to provide improvements and facilities for the System consistent with the purposes for which the District was created and with the approval of the TCEQ.

The Bonds constitute the first series of unlimited tax bonds issued by the District for road purposes. At various elections held within the District, voters of the District authorized the District's issuance of \$191,254,893 principal amount of unlimited tax bonds for water, sewer, and drainage purposes, \$163,110,503 principal amount of unlimited tax bonds for road purposes, and \$37,900,000 for parks and recreational purposes. Following issuance of the Bonds, \$182,159,893 principal amount of unlimited tax bonds for water, sewer and drainage purposes, \$158,780,503 principal amount of authorized unlimited tax bonds for road purposes, and \$37,900,000 principal amount of unlimited tax bonds for park and recreation purposes will remain authorized but unissued. According to the District's Engineer (herein defined), the remaining authorized but unissued bonds will be sufficient to reimburse the Developer for the existing facilities and finance the development of the remaining undeveloped land within the District. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and, in the case of bonds for water, sewer and drainage facilities and recreational facilities, approved by the TCEQ). The District's issuance of bonds for road facilities is not subject to approval by the TCEQ.

Further, the Master District has existing voter approved authority to issue up to \$225,000,000 unlimited tax contract revenue bonds, which will be primarily supported by ad valorem taxes levied on property owners in the District until additional development, if any, occurs in the other Tavola MUDs.

The District cannot represent whether any of the development planned or occurring in the Service Area will be successful. The levy of a Contract Tax to substantially higher levels could have an adverse impact upon future development and upon development and home sales within the Service Area, including the District, and the ability of each Tavola MUD to collect, and the willingness of owners of property located within the Service Area to pay ad valorem taxes (including the Contract Tax). See "THE SYSTEM."

The principal amount of bonds issued to finance parks and recreational facilities may not exceed 1% of the District's assessed value, however, effective June 14, 2021, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not 3% of the value of taxable property in the District.

Following the issuance of the Bonds, the District will owe the Developer approximately \$16,220,392 for its expenditures to construct water, sanitary sewer, drainage, and road facilities serving the developed land within the District.

Amendments to the Bond Order

The District may, without the consent of or notice to any Registered Owners, amend the Bond Order in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of the Bond Order relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Order cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Registered Owners' Remedies

The Bond Order does not provide for the appointment of a trustee to represent the interests of the Registered Owners upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition. Furthermore, the Bond Order does not establish specific events of default with respect to the Bonds and, under State law,

there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Bond Order. Subject to the holdings of several recent Texas Supreme Court cases discussed below, a registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District. A Registered Owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a Registered Owner could be required to enforce such remedy on a periodic basis. In addition, the Texas Supreme Court recently ruled that a waiver of sovereign immunity must be provided for by statute in clear and unambiguous language and that certain statutory language previously relied upon by lower courts to support a finding that sovereign immunity had been waived did not constitute a clear and unambiguous waiver of sovereign immunity. Neither the remedy of mandamus nor any other type of injunctive relief was considered in these recent Supreme Court cases; and, in general, State courts have held that a writ of mandamus may be issued to require a public official to perform ministerial acts that clearly pertain to their duties, such as a legal duty that leaves nothing to the exercise of discretion or judgment. State courts have also held that mandamus may be used to require a public official to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party, including the payment of monies due under a contract. The District is also eligible to seek relief from its creditors under Chapter 9. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bond holders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bond Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code. See "RISK FACTORS – Bankruptcy Limitation to Registered Owners' Rights."

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.

Use and Distribution of Bond Proceeds

The proceeds from the Bonds will be used to finance the District’s share of the following projects: (i) road improvement construction projects for Tavola Sections 20, 21, 25, 28-31; and (ii) engineering, testing and SWPPP for item (i). Proceeds of the Bonds will also be used to finance developer interest, twelve (12) months of capitalized interest and cost of issuance fees for the Bonds.

Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor (defined herein). 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.

	Total
<u>CONSTRUCTION COSTS</u>	
A. Developer Contribution Items	
1) Tavola Section 20	\$ 645,907
2) Tavola Section 21	426,027
3) Tavola Section 25	199,366
4) Tavola Section 28	669,320
5) Tavola Section 29	713,745
6) Tavola Section 30	507,657
7) Tavola Section 31	<u>138,171</u>
Total Developer Contribution Items	\$ 3,300,193
TOTAL CONSTRUCTION COSTS	<u>\$ 3,300,193</u>
<u>NONCONSTRUCTION COSTS</u>	
A. Legal Fees	\$ 101,600
B. Fiscal Agent Fees	86,600
C. Interest	
1) Developer Interest	412,648
2) Capitalized Interest (12 months)	193,806
D. Bond Discount	129,781
E. Bond Issuance Costs	47,404
F. Bond Issue Application Report Costs	20,000
G. Attorney General Fee	4,330
H. Contingency (a)	<u>33,638</u>
TOTAL NONCONSTRUCTION COSTS	<u>\$ 1,029,807</u>
TOTAL BOND ISSUE REQUIREMENT	\$ 4,330,000

(a) Represents the difference between the estimated and actual amounts from the capitalized interest and the bond discount.

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

DISTRICT DEBT

General

2022 Certified Taxable Assessed Valuation	\$ 132,709,320	(a)
Estimate of Value as of July 1, 2022.....	\$ 183,862,837	(b)
Direct Debt:		
The Outstanding Bonds (As of delivery of the Bonds)	\$ 8,895,000	
The Bonds	<u>4,330,000</u>	
Total.....	\$ 13,225,000	
Estimated Overlapping Debt	<u>\$ 12,208,558</u>	(c)
Total Direct and Estimated Overlapping Debt.....	\$ 25,433,558	(c)
Direct Debt Ratios:		
As a percentage of the 2022 Certified Taxable Assessed Valuation	9.97	%
As a percentage of the Estimate of Value as of July 1, 2022.....	7.19	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2022 Certified Taxable Assessed Valuation	19.16	%
As a percentage of the Estimate of Value as of July 1, 2022.....	13.83	%
General Operating Fund Balance (As of June 22, 2022).....	\$ 66,335	
Utility System Debt Service Fund Balance (As of June 22, 2022).....	\$ 479,460	(d)
Road System Debt Service Fund Balance (As of delivery of the Bonds)	\$ 193,806	(e)
Capital Projects Fund Balance (As of June 22, 2022)	\$ 308,649	
2021 Tax Rate		
Debt Service.....	\$0.400	
Maintenance & Operation.....	\$0.410	
Contract Tax	<u>\$0.490</u>	(f)
Total.....	\$1.300	
Combined Average Annual Debt Service Requirement (2023–2048)	\$ 789,452	(g)
Combined Maximum Annual Debt Service Requirement (2045)	\$ 840,710	(g)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement (2023–2048) at 95% Tax Collections		
Based on the 2022 Certified Taxable Assessed Valuation	\$0.63	
Based on the Estimate of Value as of July 1, 2022.....	\$0.46	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Service Requirement (2045) at 95% Tax Collections		
Based on the 2022 Certified Taxable Assessed Valuation	\$0.67	
Based on the Estimate of Value as of July 1, 2022.....	\$0.49	

- (a) Represents the certified taxable assessed valuation as of January 1, 2022, of all taxable property located within the District, as provided by the Montgomery Central Appraisal District (the "Appraisal District") upon original certification of the 2022 tax rolls. This value includes \$8,198,120, which represents 80% of the value within the District which is under review. See "TAXING PROCEDURES" and "TAX DATA."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property in the District as of July 1, 2022, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed from January 1, 2022, through July 1, 2022. No taxes will be levied on this estimated value. See "TAXING PROCEDURES" and "TAX DATA."
- (c) See "DISTRICT DEBT - Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the Utility System Debt Service Fund (herein defined). The funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Outstanding Bonds, not the Contract Revenue Bonds (as defined herein) or the Bonds.
- (e) Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the Road System Debt Service Fund (herein defined). Twelve (12) months of capitalized interest on the Bonds will be deposited into this Road System Debt Service Fund upon closing of the Bonds. The funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Bonds, not the Contract Revenue Bonds, the Outstanding Bonds, or any future bonds issued for the Utility System.
- (f) Contract Taxes (defined herein) are levied to pay the District's share of the Contract Revenue Bonds. See "RISK FACTORS - Contract Tax" and "THE SYSTEM - The Master District" herein.
- (g) Requirement of debt service on the Bonds and the Outstanding Bonds. See "DISTRICT DEBT - Debt Service Requirements."

Estimated Overlapping Debt Statement

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or *Texas Municipal Reports* prepared by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes.

Taxing Jurisdiction	Outstanding Debt July 31, 2022	Overlapping	
		Percent	Amount
Montgomery County	\$ 464,200,000	0.12%	\$ 566,055
New Caney Independent School District	561,995,000	1.22	6,833,084
Lone Star College System	643,940,000	0.03	195,866
East Montgomery County MUD No. 5	26,745,000	17.25	<u>4,613,552</u>
Total Estimated Overlapping Debt.....			\$ 12,208,558
The District (a).....			\$ 13,225,000
Total Direct & Estimated Overlapping Debt (a).....			<u>\$ 25,433,558</u>

(a) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

Direct Debt Ratios:

As a percentage of the 2022 Certified Taxable Assessed Valuation.....	9.97	%
As a percentage of the Estimate of Value as of July 1, 2022.....	7.19	%

Direct and Estimated Overlapping Debt Ratios:

As a percentage of the 2022 Certified Taxable Assessed Valuation.....	19.16	%
As a percentage of the Estimate of Value as of July 1, 2022.....	13.83	%

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Debt Service Requirements

The following schedule sets forth the debt service requirements on the Outstanding Bonds as well as the principal and interest requirements of the Bonds. The Outstanding Debt Service is as of the sale date of the Bonds.

Calendar Year	Outstanding Debt Service	Plus: The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2022	\$ 243,873	\$ -	\$ -	\$ -	\$ 243,873
2023	550,336	-	178,732	178,732	729,069
2024	550,336	95,000	193,806	288,806	839,143
2025	549,701	100,000	187,631	287,631	837,333
2026	548,646	105,000	181,131	286,131	834,778
2027	542,111	110,000	174,306	284,306	826,418
2028	542,556	115,000	167,156	282,156	824,713
2029	542,681	120,000	159,681	279,681	822,363
2030	544,701	125,000	152,181	277,181	821,883
2031	546,316	130,000	146,556	276,556	822,873
2032	547,224	135,000	140,706	275,706	822,930
2033	547,599	145,000	135,306	280,306	827,905
2034	546,599	150,000	129,506	279,506	826,105
2035	545,249	155,000	123,506	278,506	823,755
2036	548,419	165,000	117,306	282,306	830,725
2037	546,066	170,000	110,706	280,706	826,773
2038	548,216	180,000	103,906	283,906	832,123
2039	549,659	190,000	96,706	286,706	836,365
2040	545,459	195,000	89,106	284,106	829,565
2041	545,828	205,000	81,306	286,306	832,134
2042	545,355	215,000	73,106	288,106	833,461
2043	549,390	225,000	64,238	289,238	838,628
2044	547,665	235,000	54,956	289,956	837,621
2045	545,448	250,000	45,263	295,263	840,710
2046	372,650	260,000	34,638	294,638	667,288
2047	270,400	270,000	23,588	293,588	563,988
2048	-	285,000	12,113	297,113	297,113
Total (a)	\$ 13,462,483	\$4,330,000	\$2,977,145	\$ 7,307,145	\$20,769,628

(a) Totals may not sum due to rounding.

Average Annual Debt Service Requirement (2023–2048)	\$789,452
Maximum Annual Debt Service Requirement (2045).....	\$840,710

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 Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and for the payment of certain contractual obligations. See "TAX DATA – Tax Rate Limitation."

Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Tax Code"), specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Tax Code are complex and are not fully summarized herein. The Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Appraisal District has the responsibility of appraising property for all taxing units within Montgomery County, including the District. Such appraisal values will be subject to review and change by the Montgomery County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

The Tax Code requires each appraisal district, by May 15 of each year, or as soon thereafter as practicable, to prepare appraisal records of property as of January 1 of each year based upon market value. The chief appraiser must give written notice before May 15, or as soon thereafter as practicable, to each property owner whose property value is appraised higher than the value in the prior tax year or the value rendered by the property owner, or whose property was not on the appraisal roll the preceding year, or whose property was reappraised in the current tax year. Notice must also be given if ownership of the property changed during the preceding year. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any property owner who has timely filed notice with the Appraisal Review Board may appeal a final determination by the Appraisal Review Board by filing suit in a Texas district court. Prior to such appeal or any tax delinquency date, however, the property owner must pay the tax due on the value of that portion of the property involved that is not in dispute or the amount of tax imposed in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In such event, the value of the property in question will be determined by the court, or by a jury, if requested by any party. In addition, taxing units, such as the District, are entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records of the granting in whole or in part of certain exemptions. A taxing unit may not, however, challenge the valuation of individual properties.

Although the District has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Tax Code, the District does not establish appraisal standards or determine the frequency of revaluation or reappraisal. The Appraisal District is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the Appraisal District. The Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent allowed by law. The disabled veteran exemption ranges between \$5,000 and \$12,000, depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption of the full value of the veteran's residential homestead. 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. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who is or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence 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 Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. To date, the District has not granted a general homestead exemption.

Freeport Exemption and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit Exemption" is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2013 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Montgomery County, Texas may designate all or part of the area within the District as a reinvestment zone. Thereafter, the District, at the option and discretion of the District, 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 jurisdiction. None of the area within the District has been designated as a Reinvestment Zone to date, and the District has not approved any such tax abatement agreements.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. 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 10 percent annually regardless of the market value of the property.

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

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

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

Tax Payment Installments after Disaster

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

Agricultural, Open Space, Timberland and Inventory Deferral

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including such taxes for a period of three (3) years to five (5) years for agricultural use, timberland or open space land prior to the loss of the designation.

District and Taxpayer Remedies

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

The Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayer's referenda which could result in the repeal of certain tax increases.

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 date of delinquency may be postponed if the tax bills are mailed after January 1. A person over sixty-five (65) years of age is entitled by law to pay current taxes on his residential homestead in installments or to defer tax without penalty during the time he owns and occupies the property as his residential homestead. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person at least sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas Law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes within the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

Chapter 49, Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "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 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 a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 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 Districts.

Other Districts

Districts that do not meet the classification of a Low Tax Rate District or a Developed District are classified as Other Districts or "Developing 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 the District's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis in September or October of each year. The District has determined it is a Developing District for the 2022 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchasers deed at the foreclosure sale is filed in the county records.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (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 September 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order 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, not to exceed \$1.50 per \$100 of assessed valuation, for operation and maintenance purposes. In 2021, the District levied a total tax in the amount of \$1.30 per \$100 of assessed valuation made up of the following: a tax of \$0.41 for maintenance and operations, a tax of \$0.49 for contract tax purposes, and a tax of \$0.40 for debt service tax purposes. The District has authorized the publication of the intended total tax rate of \$1.300 per \$100 of assessed valuation for the 2022 tax year. Such rate is expected to be composed of the following: a maintenance and operations tax rate of \$0.345 per \$100 of assessed valuation; a system debt service tax rate of \$0.430 per \$100 of assessed valuation; a road debt service tax rate of \$0.120 per \$100 of assessed valuation; and a contract tax rate of \$0.405 per \$100 of assessed valuation.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Contract Tax (a):	Unlimited (no legal limit as to rate or amount).
Operation and Maintenance:	\$1.50 per \$100 assessed valuation.
Road Maintenance:	\$1.50 per \$100 assessed valuation.
Parks Maintenance:	\$0.10 per \$100 assessed valuation.

(a) Contract taxes are levied to pay the District's share of the Master District's Contract Revenue Bonds. See "RISK FACTORS - Contract Tax" and "THE SYSTEM - The Master District" herein.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2016-2021 tax years:

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Percent of Collections Current Year	Current Year Ended 9/30	Percent of Collections 06/30/2022
2016	\$ 86,650	\$ 1.30	\$ 1,126	100.00%	2017	100.00%
2017	213,860	1.30	2,780	100.00%	2018	100.00%
2018	3,305,640	1.30	42,973	99.96%	2019	99.96%
2019	19,122,294	1.30	248,590	96.60%	2020	99.99%
2020	34,035,051	1.30	442,456	99.82%	2021	99.13%
2021	72,508,999	1.30	942,617	97.53% (b)	2022	97.53%

(a) Total tax rate per \$100 of assessed valuation for each respective tax year. See "Tax Rate Distribution" below.

(b) Collections as of June 30, 2022.

Tax Rate Distribution

	2021 (a)	2020	2019	2018	2017
Debt Service	\$0.40	\$0.38	\$0.00	\$0.00	\$0.00
Maintenance and Operations	\$0.41	\$0.43	\$0.63	\$0.61	\$0.94
Contract Tax	\$0.49	\$0.49	\$0.67	\$0.69	\$0.36
Total	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30

(a) The District has authorized the publication of the intended total tax rate of \$1.300 per \$100 of assessed valuation for the 2022 tax year. Such rate is expected to be composed of the following: a maintenance and operations tax rate of \$0.345 per \$100 of assessed valuation; a system debt service tax rate of \$0.430 per \$100 of assessed valuation; a road debt service tax rate of \$0.120 per \$100 of assessed valuation; and a contract tax rate of \$0.405 per \$100 of assessed valuation.

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the tax years 2018 - 2022 by type of property.

Property Type	2022 Assessed Valuation (a)	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation
Land	\$ 33,552,600	\$ 18,955,760	\$ 10,513,400	\$ 8,707,360	\$ 2,933,520
Improvements	100,913,530	56,468,150	24,799,560	11,388,600	1,421,540
Personal	391,122	453,164	448,401	298,013	21,000
Exemption	(10,346,052)	(3,368,075)	(1,726,310)	(1,271,679)	(1,070,420)
Total	\$124,511,200	\$ 72,508,999	\$ 34,035,051	\$ 19,122,294	\$ 3,305,640

(a) This value excludes \$8,198,120, which represents 80% of the value within the District which is under review. See "TAXING PROCEDURES" and "TAX DATA."

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2022:

<u>Taxpayer</u>	<u>Types of Property</u>	<u>Taxable Value 2022 Tax Roll</u>	<u>Percent of District Value</u>
Upward America Central Property Owns	Land & Improvements	\$14,950,710	12.01%
Lennar Homes of Texas Land & Construction LTD (a)	Land & Improvements	6,517,570	5.23%
Hudson SFR Property Holdings LLC	Land & Improvements	646,350	0.52%
Jordina LLC	Land & Improvements	619,120	0.50%
Perry Homes LLC	Land & Improvements	503,820	0.40%
First Macau Realty Inc	Land & Improvements	485,920	0.39%
Medrano Family Trust	Land & Improvements	485,870	0.39%
Homeowner	Land & Improvements	480,000	0.39%
Homeowner	Land & Improvements	473,110	0.38%
Homeowner	Land & Improvements	<u>472,750</u>	<u>0.38%</u>
		\$25,635,220	20.59%

(a) See “DEVELOPER.”

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Certified Taxable Assessed Valuation that, based on a tax collections rate of 95%, would be required to meet certain debt service requirements on the Bonds if no growth in the District occurs beyond the Certified Taxable Assessed Valuation as of January 1, 2022 (\$132,709,320) and the Estimate of Value as of July 1, 2022 (\$183,862,837):

Estimated Average Annual Debt Service Requirement (2023–2048)	\$789,452
Tax Rate of \$0.63 on the 2022 Certified Taxable Assessed Valuation produces	\$794,265
Tax Rate of \$0.46 on the Estimate of Value as of July 1, 2022, produces	\$803,481
Estimated Maximum Annual Debt Service Requirement (2045).....	\$840,710
Tax Rate of \$0.67 on the 2022 Certified Taxable Assessed Valuation produces	\$844,695
Tax Rate of \$0.49 on the Estimate of Value as of July 1, 2022, produces	\$855,882

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see “DISTRICT DEBT – Estimated 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.

<u>Taxing Jurisdiction</u>	<u>2021 Tax Rate</u>
The District (a)	\$ 1.300000
Montgomery County	0.408300
Montgomery County Hospital District	0.056700
Montgomery County Emergency Services District No. 7	0.100000
New Caney Independent School District	1.460300
Lone Star College System	<u>0.107800</u>
Total Tax Rate	\$ 3.433100

(a) Includes Contract Tax Rate. See “RISK FACTORS – Contract Tax” and “THE SYSTEM – The Master District” herein. The District has authorized the publication of the intended total tax rate of \$1.300 per \$100 of assessed valuation for the 2022 tax year. Such rate is expected to be composed of the following: a maintenance and operations tax rate of \$0.345 per \$100 of assessed valuation; a system debt service tax rate of \$0.430 per \$100 of assessed valuation; a road debt service tax rate of \$0.120 per \$100 of assessed valuation; and a contract tax rate of \$0.405 per \$100 of assessed valuation.

THE DISTRICT

General

The District is a limited-purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by House Bill No. 3546, 79th Texas Legislature, Regular Session, 2005 (codified as Tex. Special Districts Code Ann §8140), and amended by House Bill No. 3910, 83rd Texas Legislature, Regular Session, 2013.

The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. Currently the District contracts for solid waste collection service. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is subject to the continuing supervision of the TCEQ and is located exclusively within the extraterritorial jurisdiction of the City.

Description

The District is located in Montgomery County, Texas, approximately 30 miles northeast of the City and approximately 3 miles north of the City of New Caney, Texas. All of the land within the District is within the extraterritorial jurisdiction of the City.

Management of the District

The District is governed by a board of four directors which has control over and management supervision of all affairs of the District. Directors are elected in odd-numbered years for staggered, four-year terms. The present members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Beau Kaleel	President	2023
Erin Shedd	Vice President	2025
Al Valencia	Secretary	2025
Kimberly Prause	Assistant Secretary	2023
Vacant	Vacant	Vacant

The District has engaged the following companies and individuals to operate its utilities and recreational facilities:

Tax Assessor/Collector: The tax assessor/collector for the District is Assessments of the Southwest, Inc.

Bookkeeper: The District's bookkeeper is L&S District Services, LLC.

Auditor: The financial statements of the District as of May 31, 2021, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein.

Utility System Operator: The District's water and sewer system is operated by H2O Innovation ("H2O").

Engineer: The District's engineer is LJA Engineering, Inc. (the "Engineer" or "Master District Engineer"). Such firm acts as engineer for many residential and commercial developments in Texas.

Attorney: 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."

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

Disclosure Counsel: The District has engaged Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel in connection with the issuance of the Bonds. The legal fees to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

DEVELOPMENT STATUS OF THE DISTRICT

Of the approximately 495 total acres of land located within the District, approximately 301 acres (1,019 lots) within the District have been developed with water distribution, sanitary sewer and storm drainage facilities to serve the single-family residential subdivisions of Tavola, Sections 20, 21, 25, 28 – 37, 41 – 42 and 44. As of August 9, 2022, single-family development in the District included 576 completed and occupied homes; 0 completed and unoccupied homes; 190 homes under construction; and 253 vacant, developed lots. Tavola, Sections 43, 45, 46 and 47 are anticipated to be developed by the end of 2022.

The following table sets out the status of single-family development, by section, within the District as of August 9, 2022:

Tavola	Section Acreage	Platted Lots	Completed Homes		Homes Under Construction	Developed Vacant Lots
			Homes Occupied	Homes Unoccupied		
Section 20	15.24	48	48	-	-	-
Section 21	15.10	54	54	-	-	-
Section 25	6.85	38	38	-	-	-
Section 28	10.67	49	49	-	-	-
Section 29	18.24	92	92	-	-	-
Section 30	12.97	55	52	-	-	3
Section 31	11.30	68	61	0	7	0
Section 32	23.68	67	64	0	0	3
Section 33	23.68	42	42	-	-	-
Section 34	36.41	61	14	0	44	3
Section 35	33.31	62	62	-	-	-
Section 36	17.04	56	0	0	39	17
Section 37	20.41	71	0	0	66	5
Section 41	20.74	89	0	0	11	78
Section 42	17.42	65	0	0	23	42
Section 44	18.28	102	0	0	0	102
Totals	301.34	1,019	576	0	190	253
Single-Family Developed:	301.34					
Parks/Recreational/Open Spaces:	13.19					
Undevelopable Acres:	130.32					
Remaining Developable Acres:	50.15					

Service Area Total: 495.00

Homebuilders in the District

Homebuilders who are active in the District include Perry Homes, Lennar Homes, M/I Homes and Lakewood Homes. Prices of new homes being constructed by Perry Homes range from \$250,000 to \$350,000 and in square footage from 2,500 to 3,500. Prices of new homes being constructed by Lennar Homes range from \$200,000 to \$425,000 and in square footage from 2,000 to 3,700. Prices of new homes being constructed by Lakewood Homes range from \$200,000 to \$250,000 and in square footage from 2,000 to 3,000.

TAVOLA

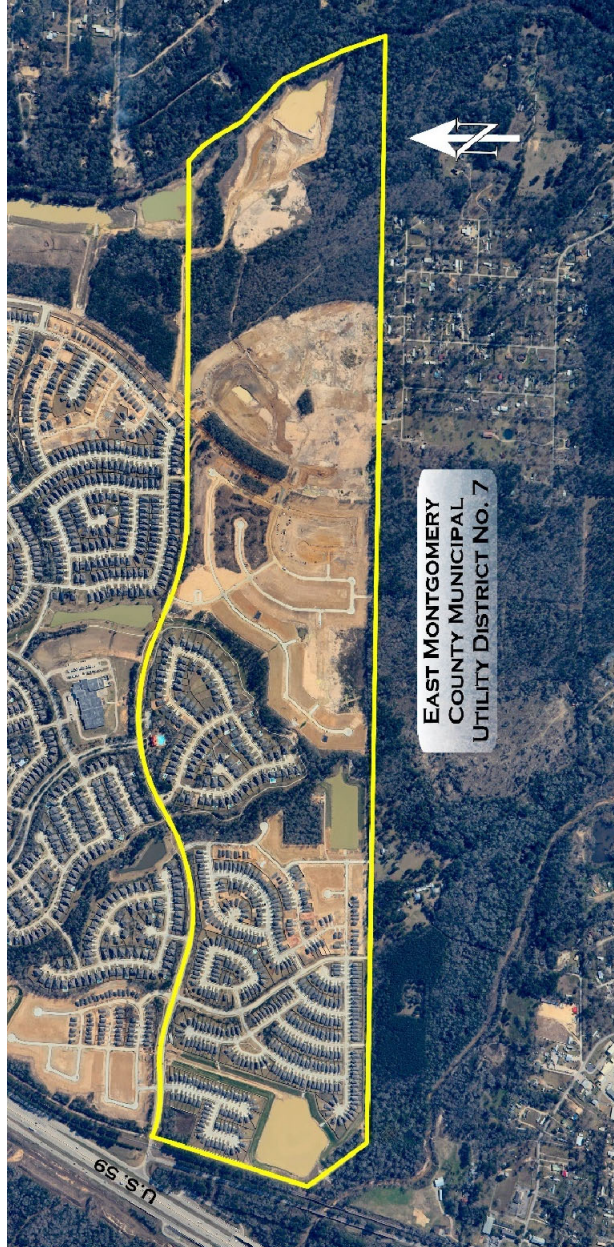
Tavola is an approximately 1,565-acre master planned community being developed by the Developer in Montgomery County, Texas, approximately 30 miles due north-northeast of the central business district of Houston, Texas and approximately 2 miles northeast of New Caney, Texas. According to representatives of the Developer, Tavola will eventually include approximately 4,200 single-family lots.

The District is located in the master-planned development of Tavola. Two other municipal utility districts, MUD 5 and MUD 6 (together with the District, the "Tavola MUDs"), overlay the remaining portions of Tavola not encompassed by the District. MUD 5 acts as the "Master District" and provides the water supply and wastewater treatment facilities, trunk water and sanitary sewer lines and stormwater and detention facilities to serve Tavola.

Land development within Tavola began in 2013 within the boundaries of MUD 6, and now includes development in both the District and MUD 6 as the residential subdivisions of Sections 2-42 and 44 (approximately 855 total acres and 2,326 single-family lots). Tavola Elementary school has been constructed on 14.03 acres in MUD 6. As of August 9, 2022, Tavola included 1,758 completed and occupied homes, 0 completed and unoccupied homes, 264 homes under construction, 304 vacant lots, and approximately 77.74 acres of undeveloped but developable land.

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AERIAL PHOTOGRAPH OF THE DISTRICT
(March 2022)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(March 2022)



DEVELOPER

The Role of a Developer

In general, the activities of a developer in a municipal utility district, such as the District, include the following: acquiring the land within the district, designing the subdivision, the utilities and streets to be constructed in the subdivision, and any community facilities to be built; defining a marketing program and building schedule; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling improved lots and commercial reserves to builders and other developers or other third parties. Pursuant to the rules of the TCEQ, a developer can be required to pay up to 30% of the cost of constructing certain water, wastewater and drainage facilities in a municipal utility district. The relative success or failure of a developer to perform such activities in the development of property within a municipal utility district may have a profound effect on the security of the bonds issued by a district. A developer is generally under no obligation to a municipal utility district to develop the property that it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a municipal utility district.

The Developer

The primary developer of land within the Service Area is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership d/b/a Friendswood Development Company (the "Developer"). The sole general partner of the Developer is U.S. Home LLC, a Delaware limited liability company.

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

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

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

THE SYSTEM

The Master District

On February 23, 2007, each of the Tavola MUDs executed a "Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities" with the District, which were subsequently assigned to MUD 5 to act as the "Master District," relating to the following facilities and services: the Master District wastewater collection and treatment system, the Master District water supply and distribution system, the Master District storm water conveyance and detention facilities (collectively, the "Master District Facilities"). The Master District Contract was approved by the voters of each of the Tavola MUDs at a separate elections held on May 12, 2007. The Master District Contract provides that the Master District and all other districts that have executed similar contracts with the Master District ("Participants") pay a pro rata share of debt service on contract revenue bonds issued to finance the Master District Facilities based upon certified appraised valuation. The District and the other Participants are obligated to pay each entity's pro rata share from the proceeds of the Contract Tax for such purpose, revenues derived from the operation of the District's water distribution system and wastewater collection system or from any other legally available funds of each Participant. The Master District

Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

The Master District is authorized to issue unlimited tax contract revenue bonds sufficient to complete acquisition and construction of the Master District Facilities. The District's pro rata share (and that of all other Tavola MUDs) of the debt service requirements on the unlimited tax contract revenue bonds is determined by dividing the District's certified appraised value by the cumulative total of the certified appraised values of all the Tavola MUDs which are parties to the Master District Contract. The Master District Contract obligates the District to pay its pro rata share of debt service requirements on the unlimited tax contract revenue bonds from the proceeds of the Contract Tax, revenues derived from the operation of the District's water distribution and wastewater collection system or from any other legally available funds of each Participant. The Master District has issued six series of Contract Revenue Bonds in the total amount of \$28,395,000. See "RISK FACTORS – Contract Tax."

Each Tavola MUD, including the District and the Master District, is responsible for constructing its internal water distribution, wastewater collection and storm drainage lines within its respective boundaries. The internal facilities are financed with unlimited tax bonds sold by each district. The Master District Facilities will be constructed in stages to meet the needs of a continually expanding population within Tavola. In the event that the Master District fails to meet its obligations under the Master District Contract to provide Master District Facilities, each of the other Tavola MUDs, including the District, has the right pursuant to the Master District Contract to design, acquire, construct, or expand the Master District Facilities needed to provide service to such district, and convey such Master District Facilities to the Master District in consideration of payment by the Master District of the actual reasonable necessary capital costs expended by such district for such Master District Facilities.

The District is further obligated to pay monthly charges for water and sewer services rendered pursuant to the Master District Contract. The monthly charges will be used to pay the District's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each Tavola MUD's share of operation and maintenance expenses and reserve requirements is determined by dividing the total number of equivalent single family residential connections ("ESFCs") for all of the Tavola MUDs within the Tavola development (the "Service Area") by the number of ESFCs for each Tavola MUD, as of the first day of the month. The District's monthly payment for operation and maintenance expenses is calculated by multiplying the District's pro rata share by the actual operation and maintenance expenses of the Master District.

Pursuant to the Master District Contract, the District is obligated to establish and maintain rates, fees and charges for services provided by the District's water distribution system and wastewater collection system, together with taxes levied and funds received from any other lawful sources, sufficient at all times to pay the District's operation and maintenance expenses, and the District's obligations pursuant to the Master District Contract, including the District's pro rata share of the Master District's debt service requirements and monthly charges. Likewise, each Participant is obligated by the Master District Contract to levy taxes and pay from funds received from any other lawful source each Participant's pro rata share of the Master District's debt service requirements. All sums payable by the District pursuant to the Master District Contract are to be paid by the District and the other Participants without set off, counterclaim, abatement, suspension or diminution. If the Participants fail to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District's Facilities by the Participants in addition to the Master District's other remedies. As a practical matter, the Participants have no alternative provider of these services rendered under the Master District Contract.

Regulation

According to the Engineer, the System's water distribution and wastewater collection lines have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City of Houston, and Montgomery County. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

Operation of the District's waterworks and sewer treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Description of the System

- Water Supply and Distribution -

The water supply facilities constructed by the Master District currently consist of one water well, rated at 1,400 gallon per minute (“gpm”); 720,000 gallons of ground storage capacity; pressure tank capacity of 20,000 gpm; and all related appurtenances. The major components of the Master District’s water supply facilities will serve approximately 2,333 equivalent single-family connections. In order to fully provide water supply to the Service Area, the water supply facilities will need to be expanded from time to time to meet the demand for such facilities.

The Master District does not currently have a source for surface water. The Master District has an emergency interconnect with the City of Woodbranch Village. The City of Woodbranch Village is to provide the Master District with a second source of water during emergencies.

- Wastewater Treatment and Conveyance System -

The Master District entered into a lease agreement with AUC Group LP for a 150,000 gallons per day (“gpd”) wastewater treatment plant (the “Wastewater Plant”) and a 2nd Lease for an additional 150,000 gpd, which is maintained and operated by the Master District. Current wastewater treatment capacity at the Wastewater Plant will serve 1,293 equivalent single-family connections. The ultimate capacity of the Wastewater Plant will be 600,000 gpd. Once the Wastewater Plant reaches 90% capacity, construction to expand the Wastewater Plant to a total of 450,000 gpd will commence and is anticipated to have the capacity to serve 1,800 ESFC’s. Current flows at the Wastewater Plant are approximately 232,161 gpd as of March 31, 2020.

In order to fully provide wastewater treatment for the Service Area, the Wastewater Treatment Facilities will need to be expanded from time to time to meet the demand for such facilities.

- 100 Year Flood Plain -

Approximately 194 acres within the District are located in the 100 year flood plain, of which approximately 57.7 acres are planned for future development. No currently developed land lies within the 100 year flood plain.

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Historical Operations of the System

The following is a summary of the District's general operating fund. The figures below for the fiscal years ended May 31, 2019 through May 31, 2021, were obtained from the District's audited financial statements, reference to which is hereby made. See "APPENDIX A." The figures below for the fiscal year ended May 31, 2022, were obtained from the District's bookkeeper's report and are unaudited. The District is required by statute to have a certified public accountant audit its financial statements, which statements are then required to be filed with the TCEQ.

	2022 (a)	For Fiscal Year Ended May 31,		
		2021	2020	2019
Revenues				
Property taxes	\$ 285,343	\$ 146,115	\$ 251,378	\$ 38,215
Water service	114,916	76,182	43,397	20,182
Sewer service	261,644	157,709	88,267	44,576
Security service	89,086	52,732	29,476	15,064
Regional water fee	115,620	78,764	55,313	25,013
Penalty and interest	6,846	3,981	5,081	1,679
Tap connection and inspection fees	261,965	169,575	106,375	73,925
Other income	<u>15,460</u>	<u>17,045</u>	<u>5,346</u>	<u>5,289</u>
Total Revenues	\$ 1,150,879	\$ 702,103	\$ 584,633	\$ 223,943
Expenditures				
Service operations:				
Purchased services	\$ 422,796	\$ 257,786	\$ 190,928	\$ 82,593
Regional water fees	125	0	8	0
Professional fees	53,745	49,456	59,932	39,323
Contracted services	240,490	149,851	121,784	48,666
Repairs and maintenance	154,713	93,316	39,709	7,214
Other expenditures	37,942	24,478	21,310	18,750
Tap connections	132,562	81,240	47,322	39,390
Capital outlay	0	0	7,863	0
Debt service:				
Contractual obligation:	<u>0</u>	<u>0</u>	<u>72,035</u>	<u>11,429</u>
Total Expenditures	\$ 1,042,372	\$ 656,127	\$ 560,891	\$ 247,365
Revenues over (under) expenditures	\$ 108,507	\$ 45,976	\$ 23,742	\$ (23,422)
Interfund Transfer Out	\$ 0	\$ (40,341)	\$ 0	\$ 0
Developer Advances	<u>0</u>	<u>0</u>	<u>55,000</u>	<u>1,000</u>
Beginning of Year Fund Balance	\$ 73,839	\$ 68,204	\$ (10,538)	\$ 11,884
End of Year Fund Balance	<u>\$ 182,346</u>	<u>\$ 73,839</u>	<u>\$ 68,204</u>	<u>\$ (10,538)</u>

(a) Figures are unaudited and for the fiscal year ended May 31, 2022.

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.

In addition to serving as Bond Counsel, Coats Rose, P.C., also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

TAX MATTERS

Opinion

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, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986 (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022, 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 Registered Owners 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 may not be 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.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Section 265 of the Code provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner thereof. In addition, interest expense incurred by certain owners that are “financial institutions” within the meaning of such section and which is allocable to tax-exempt obligations acquired after August 7, 1986, is completely disallowed as a deduction for taxable years beginning after December 31, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense incurred by financial institutions and allocable to tax-exempt obligations (other than private activity bonds) which are designated by an issuer, such as the District, as “qualified tax-exempt obligations.” An issue may be designated as “qualified tax-exempt obligations” only where the amount of such issue, when added to all other tax-exempt obligations (other than private activity bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The District has, pursuant to the Bond Order, designated the Bonds as “qualified tax-exempt obligations” and certify its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions that purchase the Bonds will not be subject to the 100 percent disallowance of interest expense allocable to interest on the Bonds under Section 265(b) of the Code. However, 20 percent of the interest expense incurred by a financial institution which is allocable to the interest on the Bonds would not be deductible pursuant to Section 291 of the Code.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President and Secretary of the Board will, on behalf of the District, execute and deliver to the Initial Purchaser a certificate dated as of the date of delivery, to the effect that no litigation of any nature is pending against or, to the knowledge of the District’s certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

NO MATERIAL ADVERSE CHANGE

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually.

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type under the heading “APPENDIX A.” The District will update and provide this information within six months after the end of each of its fiscal years. See “DISTRICT DEBT” and “TAX DATA”

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 (6) month period, and audited financial statements when and if the audit report becomes available.

The District's current fiscal year end is May 31. Accordingly, it must provide updated information by November 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material 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 the United States Securities and Exchange Commission Rule 15c2-12 (the "Rule"); (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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes 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 MSRB

The District has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Bonds at 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 type of operations of the District, if by only (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule 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 Rule or a court of final jurisdiction enters judgment that such provisions of such rule 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 prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

Since 2020, being the first year the District was required to submit continuing disclosures, the District has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

OFFICIAL STATEMENT

General

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

The financial statements of the District as of May 31, 2021, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Experts

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned "DEVELOPER - The Developer" has been provided by the Developer and has been included herein in reliance upon the authority and knowledge of such party concerning the matters described therein.

The information contained in this Official Statement relating to engineering and to the description of the System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations, analysis of the tax base and percentages of tax collections contained in the sections captioned "TAX DATA" has been provided by the Appraisal District and the District's Tax Assessor/Collector, and has been included herein in reliance upon the authority of such parties as experts in the field of tax assessing and collecting.

Updating the Official Statement

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide and Official Statement to potential customers who request the same pursuant to SEC Rule 15c2-12 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of 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 East Montgomery County Municipal Utility District No. 7 as of the date specified on the first page hereof.

/s/ Beau Kaleel
President, Board of Directors
East Montgomery County Municipal Utility District No. 7

ATTEST:

/s/ Al Valencia
Secretary, Board of Directors
East Montgomery County Municipal Utility District No. 7

APPENDIX A
INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS OF THE DISTRICT

East Montgomery County Municipal Utility District No. 7

Montgomery County, Texas

Independent Auditor's Report and Financial Statements

May 31, 2021



East Montgomery County Municipal Utility District No. 7
May 31, 2021

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Independent Auditor's Report

Board of Directors
East Montgomery County Municipal Utility District No. 7
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of East Montgomery County Municipal Utility District No. 7 (the District), as of and for the year ended May 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of May 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

BKD, LLP

Houston, Texas
October 12, 2021

East Montgomery County Municipal Utility District No. 7

Management's Discussion and Analysis

May 31, 2021

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

East Montgomery County Municipal Utility District No. 7

Management's Discussion and Analysis (Continued)

May 31, 2021

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

East Montgomery County Municipal Utility District No. 7
Management's Discussion and Analysis (Continued)
May 31, 2021

Financial Analysis of the District as a Whole

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

Summary of Net Position

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 655,259	\$ 182,944
Capital assets	<u>10,273,181</u>	<u>5,726,612</u>
Total assets	<u>\$ 10,928,440</u>	<u>\$ 5,909,556</u>
Long-term liabilities	\$ 11,725,034	\$ 6,289,048
Other liabilities	<u>179,587</u>	<u>112,480</u>
Total liabilities	<u>11,904,621</u>	<u>6,401,528</u>
Net position:		
Net investment in capital assets	(1,203,322)	(562,436)
Restricted	151,300	-
Unrestricted	<u>75,841</u>	<u>70,464</u>
Total net position	<u>\$ (976,181)</u>	<u>\$ (491,972)</u>

The total net position of the District decreased by \$484,209, or about 98 percent. The majority of the decrease in net position is related to depreciation on the District's capital assets. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	<u>2021</u>	<u>2020</u>
Revenues:		
Property taxes	\$ 442,449	\$ 249,152
Charges for services	365,387	216,453
Other revenues	<u>192,216</u>	<u>116,802</u>
Total revenues	<u>1,000,052</u>	<u>582,407</u>

East Montgomery County Municipal Utility District No. 7
Management's Discussion and Analysis (Continued)
May 31, 2021

Summary of Changes in Net Position (Continued)

	2021	2020
Expenses:		
Services	\$ 748,765	\$ 480,993
Depreciation	283,651	157,112
Debt service	451,845	72,035
Total expenses	1,484,261	710,140
Change in net position	(484,209)	(127,733)
Net position, beginning of year	(491,972)	(364,239)
Net position, end of year	\$ (976,181)	\$ (491,972)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended May 31, 2021, were \$494,277, an increase of \$426,073 from the prior year.

The general fund's fund balance increased by \$5,635, primarily due to property taxes, services and tap connection and inspection fees revenues exceeding service operations expenditures and a transfer to the debt service fund.

The debt service fund's fund balance increased by \$257,340 because property tax revenues generated, proceeds from the sale of Series 2020 bonds and a transfer from the general fund exceed debt service interest and fees and contractual obligation expenditures.

The capital projects fund's fund balance increased by \$163,098. This net increase was primarily due to proceeds received from the sale of Series 2020 bonds and bond anticipation note. From the proceeds of the debt, the District repaid its developer for operating advances and facilities located within the District's boundaries.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes revenue being less than anticipated, and water and sewer services and tap connection and inspection fee revenues, as well as purchased services, contracted services, repairs and maintenance and tap connections expenditures being greater than anticipated. In addition, an interfund transfer out was not included in the budget. The fund balance as of May 31, 2021, was expected to be \$69,294 and the actual end-of-year fund balance was \$73,839.

East Montgomery County Municipal Utility District No. 7
Management's Discussion and Analysis (Continued)
May 31, 2021

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital Assets (Net of Accumulated Depreciation)

	2021	2020
Land and improvements	\$ 14,947	\$ -
Construction in progress	7,863	7,863
Water facilities	992,729	473,993
Wastewater facilities	1,821,136	1,039,045
Drainage facilities	3,708,184	2,065,705
Road and paving facilities	3,728,322	2,140,006
Total capital assets	\$ 10,273,181	\$ 5,726,612

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

Clearing and grubbing to serve Tavola, Section 33	\$ 14,947
Engineering fees related to Tavola, Sections 20, 21, 25 and 32	412,510
Water, sewer and drainage facilities to serve Tavola, Sections 28, 29, 33 and 35	2,683,339
Paving facilities to serve Tavola, Sections 28, 29 and 33	1,719,424
Total additions to capital assets	\$ 4,830,220

The developer within the District has constructed facilities on behalf of the District under the terms of the contracts with the District. The District has agreed to reimburse the developer for these facilities, plus interest, from the proceeds of future bond issues subject to the approval of the Commission, as applicable. As of May 31, 2021, a liability for developer-constructed capital assets of \$7,688,294 was recorded in the government-wide financial statements and depreciation was recorded on those assets.

Debt

The changes in the debt position of the District during the fiscal year ended May 31, 2021, are summarized as follows.

East Montgomery County Municipal Utility District No. 7
Management's Discussion and Analysis (Continued)
May 31, 2021

Long-term debt payable, beginning of year	\$	6,289,048
Increases in long-term debt		8,441,418
Decreases in long-term debt		<u>(3,005,432)</u>
 Long-term debt payable, end of year	 \$	 <u>11,725,034</u>

At May 31, 2021, the District had \$188,154,893 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$163,110,503 of unlimited tax bonds authorized, but unissued, for the purpose of constructing road and paving facilities; and \$37,900,000 of unlimited tax bonds authorized, but unissued, for the purpose of acquiring, purchasing, and improving park and recreational facilities.

The District's Series 2020 bonds are not rated.

Since inception, the developer has advanced \$180,401 to the District for operations, net of repayments. These advances have been recorded as liabilities in the government-wide financial statements.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Contingencies

The developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, as applicable. The District's engineer has stated that current construction contract amounts are approximately \$8,368,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Subsequent Event

In June 2021, the District sold its unlimited tax bonds, Series 2021 in the amount of \$1,785,000 at a net effective interest rate of approximately 2.426 percent. The bonds were sold to reimburse the developer for facilities constructed within the District.

East Montgomery County Municipal Utility District No. 7
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 121,037	\$ 309,717	\$ 173,633	\$ 604,387	\$ -	\$ 604,387
Receivables:						
Property taxes	2,002	2,907	-	4,909	-	4,909
Service accounts	45,963	-	-	45,963	-	45,963
Interfund receivables	59,493	-	-	59,493	(59,493)	-
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	14,947	14,947
Construction in progress	-	-	-	-	7,863	7,863
Infrastructure	-	-	-	-	6,522,049	6,522,049
Roads and paving	-	-	-	-	3,728,322	3,728,322
Total assets	\$ 228,495	\$ 312,624	\$ 173,633	\$ 714,752	\$ 10,213,688	\$ 10,928,440

East Montgomery County Municipal Utility District No. 7
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
May 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 86,842	\$ 3,419	\$ -	\$ 90,261	\$ -	\$ 90,261
Accrued interest payable	-	-	-	-	23,514	23,514
Customer deposits	57,412	-	-	57,412	-	57,412
Unearned tap connection fees	8,400	-	-	8,400	-	8,400
Interfund payables	-	48,958	10,535	59,493	(59,493)	-
Long-term liabilities:						
Due within one year	-	-	-	-	70,000	70,000
Due after one year	-	-	-	-	11,655,034	11,655,034
Total liabilities	152,654	52,377	10,535	215,566	11,689,055	11,904,621
Deferred Inflows of Resources						
Deferred property tax revenues	2,002	2,907	0	4,909	(4,909)	0
Fund Balances/Net Position						
Fund balances:						
Restricted:						
Unlimited tax bonds	-	257,340	-	257,340	(257,340)	-
Water, sewer and drainage	-	-	163,098	163,098	(163,098)	-
Unassigned	73,839	-	-	73,839	(73,839)	-
Total fund balances	73,839	257,340	163,098	494,277	(494,277)	0
Total liabilities, deferred inflows of resources and fund balances	\$ 228,495	\$ 312,624	\$ 173,633	\$ 714,752		
Net position:						
Net investment in capital assets					(1,203,322)	(1,203,322)
Restricted for debt service					151,284	151,284
Restricted for capital projects					16	16
Unrestricted					75,841	75,841
Total net position					\$ (976,181)	\$ (976,181)

East Montgomery County Municipal Utility District No. 7
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended May 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 146,115	\$ 293,685	\$ -	\$ 439,800	\$ 2,649	\$ 442,449
Water service	76,182	-	-	76,182	-	76,182
Sewer service	157,709	-	-	157,709	-	157,709
Security service	52,732	-	-	52,732	-	52,732
Regional water fee	78,764	-	-	78,764	-	78,764
Penalty and interest	3,981	922	-	4,903	-	4,903
Tap connection and inspection fees	169,575	-	-	169,575	-	169,575
Interest income	-	255	116	371	-	371
Other income	17,045	322	-	17,367	-	17,367
Total revenues	702,103	295,184	116	997,403	2,649	1,000,052
Expenditures/Expenses						
Service operations:						
Purchased services	257,786	-	-	257,786	-	257,786
Professional fees	49,456	-	-	49,456	52,128	101,584
Contracted services	149,851	10,025	-	159,876	23,000	182,876
Repairs and maintenance	93,316	-	-	93,316	-	93,316
Other expenditures	24,478	7,385	100	31,963	-	31,963
Tap connections	81,240	-	-	81,240	-	81,240
Capital outlay	-	-	3,199,930	3,199,930	(3,199,930)	-
Depreciation	-	-	-	-	283,651	283,651
Debt service:						
Interest and fees	-	55,127	-	55,127	55,275	110,402
Contractual obligation	-	146,223	-	146,223	-	146,223
Debt issuance costs	-	-	195,220	195,220	-	195,220
Total expenditures/expenses	656,127	218,760	3,395,250	4,270,137	(2,785,876)	1,484,261
Excess (Deficiency) of Revenues						
Over Expenditures	45,976	76,424	(3,395,134)	(3,272,734)	2,788,525	

East Montgomery County Municipal Utility District No. 7
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances (Continued)
Year Ended May 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)						
Interfund transfers in (out)	\$ (40,341)	\$ 40,341	\$ -	\$ -	\$ -	
Repayment of developer advances	-	-	(156,943)	(156,943)	156,943	
General obligation bonds issued	-	140,575	2,959,425	3,100,000	(3,100,000)	
Discount on debt issued	-	-	(85,250)	(85,250)	85,250	
Bond anticipation note issued	-	-	841,000	841,000	(841,000)	
Total other financing sources (uses)	<u>(40,341)</u>	<u>180,916</u>	<u>3,558,232</u>	<u>3,698,807</u>	<u>(3,698,807)</u>	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses						
	5,635	257,340	163,098	426,073	(426,073)	
Change in Net Position					(484,209)	\$ (484,209)
Fund Balances/Net Position						
Beginning of year	<u>68,204</u>	<u>-</u>	<u>-</u>	<u>68,204</u>	<u>-</u>	<u>(491,972)</u>
End of year	<u>\$ 73,839</u>	<u>\$ 257,340</u>	<u>\$ 163,098</u>	<u>\$ 494,277</u>	<u>\$ 0</u>	<u>\$ (976,181)</u>

East Montgomery County Municipal Utility District No. 7

Notes to Financial Statements

May 31, 2021

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

East Montgomery County Municipal Utility District No. 7 (the District) was created by House Bill Number 3546 (the Bill) of the 79th Legislature of the State of Texas, effective May 12, 2007, in accordance with the provisions of Article III, Section 52, and Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater, drainage, parks and recreational, and road and paving facilities. On October 1, 2015, the District approved an assignment and assumption of contract with East Montgomery County Municipal Utility District No. 5 (District No. 5), where the District assigned its right, title and interest in the contract to the District No. 5, and the District No. 5 began operating as the master district.

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

East Montgomery County Municipal Utility District No. 7

Notes to Financial Statements

May 31, 2021

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

The District presents the following major governmental funds:

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

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

East Montgomery County Municipal Utility District No. 7
Notes to Financial Statements
May 31, 2021

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Deferred Outflows and Inflows of Resources

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

East Montgomery County Municipal Utility District No. 7

Notes to Financial Statements

May 31, 2021

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

East Montgomery County Municipal Utility District No. 7

Notes to Financial Statements

May 31, 2021

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended May 31, 2021, include collections during the current period or within 60 days of year-end related to the 2020 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended May 31, 2021, the 2020 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

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

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Park and recreational facilities	10-30
Road and paving facilities	10-30

Debt Issuance Costs

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

Long-term Obligations

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

East Montgomery County Municipal Utility District No. 7
Notes to Financial Statements
May 31, 2021

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

Net Position/Fund Balances

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 10,273,181
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	4,909
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(23,514)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(11,725,034)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (1,470,458)</u></u>

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

East Montgomery County Municipal Utility District No. 7
Notes to Financial Statements
May 31, 2021

Change in fund balances.	\$ 426,073
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded noncapitalized costs and depreciation expense in the current year.	2,841,151
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	156,943
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	85,250
Governmental funds report proceeds from the sale of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	(3,941,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	2,649
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(55,275)</u>
Change in net position of governmental activities.	<u><u>\$ (484,209)</u></u>

Note 2: Deposits, Investments and Investment Income

Deposits

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

East Montgomery County Municipal Utility District No. 7
Notes to Financial Statements
May 31, 2021

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

At May 31, 2021, none of the District's bank balances were exposed to custodial credit risk.

Investments

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

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

At May 31, 2021, the District had no investments.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended May 31, 2021, is presented as follows:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ -	\$ 14,947	\$ 14,947
Construction in progress	7,863	-	7,863
Total capital assets, non-depreciable	7,863	14,947	22,810

East Montgomery County Municipal Utility District No. 7
Notes to Financial Statements
May 31, 2021

Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, depreciable:			
Water production and distribution facilities	\$ 496,270	\$ 541,924	\$ 1,038,194
Wastewater collection and treatment facilities	1,085,903	824,780	1,910,683
Drainage facilities	2,155,732	1,729,145	3,884,877
Road and paving facilities	2,213,799	1,719,424	3,933,223
Total capital assets, depreciable	<u>5,951,704</u>	<u>4,815,273</u>	<u>10,766,977</u>
Less accumulated depreciation:			
Water production and distribution facilities	(22,277)	(23,188)	(45,465)
Wastewater collection and treatment facilities	(46,858)	(42,689)	(89,547)
Drainage facilities	(90,027)	(86,666)	(176,693)
Road and paving facilities	(73,793)	(131,108)	(204,901)
Total accumulated depreciation	<u>(232,955)</u>	<u>(283,651)</u>	<u>(516,606)</u>
Total governmental activities, net	<u>\$ 5,726,612</u>	<u>\$ 4,546,569</u>	<u>\$ 10,273,181</u>

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended May 31, 2021, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ -	\$ 3,100,000	\$ -	\$ 3,100,000	\$ 70,000
Less discounts on bonds	-	85,250	589	84,661	-
Add premiums on bonds	-	-	-	-	-
	0	3,014,750	(589)	3,015,339	70,000
Bond anticipation note	-	841,000	-	841,000	-
Due to developer, advances	337,344	-	156,943	180,401	-
Due to developer, construction	5,951,704	4,585,668	2,849,078	7,688,294	-
Total governmental activities long-term liabilities	<u>\$ 6,289,048</u>	<u>\$ 8,441,418</u>	<u>\$ 3,005,432</u>	<u>\$ 11,725,034</u>	<u>\$ 70,000</u>

East Montgomery County Municipal Utility District No. 7
Notes to Financial Statements
May 31, 2021

General Obligation Bonds

	Series 2020
Amount outstanding, May 31, 2021	\$3,100,000
Interest rates	1.75% to 3.60%
Maturity dates, serially beginning/ending	September 1, 2021/2045
Interest payment dates	September 1/ March 1
Callable date*	September 1, 2025

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at May 31, 2021:

Year	Principal	Interest	Total
2022	\$ 70,000	\$ 93,442	\$ 163,442
2023	80,000	92,030	172,030
2024	85,000	90,380	175,380
2025	85,000	88,638	173,638
2026	90,000	86,755	176,755
2027-2031	500,000	399,250	899,250
2032-2036	600,000	323,600	923,600
2037-2041	725,000	219,057	944,057
2042-2046	865,000	80,190	945,190
Total	\$ 3,100,000	\$ 1,473,342	\$ 4,573,342

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

East Montgomery County Municipal Utility District No. 7
Notes to Financial Statements
May 31, 2021

Water, sewer and drainage bonds voted	\$ 191,254,893
Water, sewer and drainage bonds sold	3,100,000
Road and paving bonds voted	163,110,503
Park and recreational bonds voted	37,900,000

Due to Developer - Construction

The developer of the District has constructed facilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission, as applicable, from the proceeds of bond sales. The District's engineer estimates reimbursable costs for completed projects are \$7,688,294. These amounts have been recorded in the government-wide financial statements as long-term liabilities.

Due to Developer - Advances

The developer of the District has advanced \$180,401 to the District for operating expenses, net of repayments. The District has agreed to pay these amounts, plus interest, to the extent approved by the Commission from the proceeds of bond sales. These amounts have been recorded in the government-wide financial statements as long-term liabilities.

Bond Anticipation Note

On November 4, 2020, the District issued its Series 2020 Bond Anticipation Note in the amount of \$841,000. The note is dated November 4, 2020, bears interest at the rate of 1.50 percent and matures November 3, 2021, unless called for early redemption. The note is a special limited obligation of the District and is payable solely from proceeds from the sale of bonds and, therefore, has been excluded from the current portion of long-term liabilities.

Note 5: Significant Bond Order and Commission Requirements

- A. The Bond Order requires that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended May 31, 2021, the District levied an ad valorem debt service tax at the rate of \$0.3800 per \$100 of assessed valuation, which resulted in a tax levy of \$128,285 on the taxable valuation of \$33,759,264 for the 2020 tax year. The interest and principal requirements to be paid from the tax revenues are \$179,731 of which \$62,703 has been paid and \$117,028 is due September 1, 2021.
- B. In accordance with the Series 2020 Bond Order, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid.

East Montgomery County Municipal Utility District No. 7
Notes to Financial Statements
May 31, 2021

Bond interest reserve, beginning of year	\$ -
Additions:	
Interest appropriated from bond proceeds	140,575
Accrued interest received on bonds at date of sale	7,577
	148,152
Deduction--Appropriation from bond interest paid	62,703
	\$ 85,449

Note 6: Maintenance Taxes

At an election held May 12, 2007, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended May 31, 2021, the District levied an ad valorem maintenance tax at the rate of \$0.4300 per \$100 of assessed valuation, which resulted in a tax levy of \$145,165 on the taxable valuation of \$33,759,264 for the 2020 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held November 7, 2017, voters authorized a road maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended May 31, 2021, the District did not levy an ad valorem road maintenance tax for the 2020 tax year. The road maintenance tax will be used by the general fund to pay expenditures of operating and maintaining roads within the District.

At an election held November 7, 2017, voters authorized a park and recreational facilities maintenance tax not to exceed \$0.10 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended May 31, 2021, the District did not levy an ad valorem park and recreational facilities maintenance tax for the 2020 tax year. The park and recreational facilities maintenance tax will be used by the general fund to pay expenditures of operating and maintaining park and recreational facilities within the District.

Note 7: Contract Taxes

At an election held May 12, 2007, voters authorized a contract tax on all property within the District subject to taxation. During the year ended May 31, 2021, the District levied an ad valorem contract tax at the rate of \$0.4900 per \$100 of assessed valuation, which resulted in a tax levy of \$165,420 on the taxable valuation of \$33,759,264 for the 2020 tax year. This contract tax is used to pay for its pro rata share of principal and interest on the master district contract revenue bonds as described in Note 8.

East Montgomery County Municipal Utility District No. 7

Notes to Financial Statements

May 31, 2021

Note 8: Financing and Operation of Regional Facilities

On May 18, 2007, amended August 6, 2014, the District entered into a regional contract with East Montgomery County Municipal Utility District No. 6 (District No. 6), whereby the District will act as a master district and provide, or cause to be provided, the regional water supply and delivery facilities and the regional waste collection, treatment and disposal facilities, as well as drainage, parks, major thoroughfares and other services and facilities permitted by law, necessary to serve District No. 6. On October 1, 2015, the District approved an Assignment and Assumption of Contract whereby the District assigned its right, title and interest in the regional facilities contract to District No. 5.

Under the terms of the regional contract, which is in effect for 50 years, monthly operating charges will be determined by dividing the total number of equivalent single-family residential connections for all participants by the number of equivalent single-family residential connections for the District, as of the first day of the month, and then multiplying that share by the actual expenses. The District incurred \$257,786 of operating costs attributable to this contract for the year ended May 31, 2021. District No. 5 is to maintain an operation and maintenance reserve equivalent to three months of budgeted operation and maintenance expenses.

In addition, District No. 5 is authorized to issue master district bonds sufficient for the acquisition, construction or improvement of regional facilities as needed to serve all participants. Each participant is obligated to pay its pro rata share of the debt service requirements on the master district bonds.

Note 9: Regional Water Authority

The District is within the boundaries of the Lone Star Groundwater Conservation District (the Conservation District), which was created by the Texas Legislature. The Conservation District was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal.

Note 10: Groundwater Reduction Agreement

District No. 5 has entered into a Contract for Groundwater Reduction Planning, Alternative Water Supply and Related Goods and Services (GRP Contract) with the San Jacinto River Authority (the Authority) in order to meet the Conservation District's requirements. As a participant in the Authority's Groundwater Reduction Plan, the District has complied with all current Conservation District requirements for surface water conversion and is obligated to pay to the Authority a groundwater withdrawal fee for all groundwater produced and used by the District, and will be required to pay a water purchase fee for any water actually purchased from the Authority in the future. As of May 31, 2021, the Authority was billing District No. 5 \$2.73 per 1,000 gallons of water pumped. This amount is subject to future increases.

East Montgomery County Municipal Utility District No. 7
Notes to Financial Statements
May 31, 2021

Note 11: Risk Management

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

Note 12: Contingencies

The developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, as applicable. The District's engineer has stated that current construction contract amounts are approximately \$8,368,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 13: Subsequent Event

In June 2021, the District sold its unlimited tax bonds, Series 2021 in the amount of \$1,785,000 at a net effective interest rate of approximately 2.426 percent. The bonds were sold to reimburse the developer for facilities constructed within the District.

Note 14: Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

East Montgomery County Municipal Utility District No. 7
Budgetary Comparison Schedule – General Fund
Year Ended May 31, 2021

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 179,995	\$ 146,115	\$ (33,880)
Water service	42,000	76,182	34,182
Sewer service	85,500	157,709	72,209
Security service	29,500	52,732	23,232
Regional water fee	57,300	78,764	21,464
Penalty and interest	2,500	3,981	1,481
Tap connection and inspection fees	56,000	169,575	113,575
Other income	2,475	17,045	14,570
	<u>455,270</u>	<u>702,103</u>	<u>246,833</u>
Total revenues			
Expenditures			
Service operations:			
Purchased services	191,995	257,786	(65,791)
Professional fees	59,000	49,456	9,544
Contracted services	107,100	149,851	(42,751)
Utilities	1,000	-	1,000
Repairs and maintenance	46,500	93,316	(46,816)
Other expenditures	22,665	24,478	(1,813)
Tap connections	25,920	81,240	(55,320)
	<u>454,180</u>	<u>656,127</u>	<u>(201,947)</u>
Total expenditures			
Excess of Revenues Over Expenditures	1,090	45,976	44,886
Other Financing Uses			
Interfund transfers out	-	(40,341)	(40,341)
Excess of Revenues and Transfers In Over Expenditures and Transfers Out			
	1,090	5,635	4,545
Fund Balance, Beginning of Year	<u>68,204</u>	<u>68,204</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 69,294</u>	<u>\$ 73,839</u>	<u>\$ 4,545</u>

East Montgomery County Municipal Utility District No. 7
Notes to Required Supplementary Information
May 31, 2021

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2021.

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

Other Information

East Montgomery County Municipal Utility District No. 7
Other Schedules Included Within This Report
May 31, 2021

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 13-26
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [] Schedule of Temporary Investments – Not Applicable
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund
- [X] Board Members, Key Personnel and Consultants

East Montgomery County Municipal Utility District No. 7

Schedule of Services and Rates

Year Ended May 31, 2021

1. Services provided by the District:

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

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 12.00	5,000	N	\$ 2.50	5,001 to 10,000
				\$ 2.70	10,001 to 15,000
				\$ 2.90	15,001 to 20,000
				\$ 3.05	20,001 to 30,000
				\$ 4.00	30,001 to No Limit
Wastewater:	\$ 20.00	10,000	N	\$ 2.25	10,001 to No Limit
Regional water fee:	\$ 3.00	1,000	N	\$ 3.00	1,001 to No Limit
Garbage:	\$ 19.18	N/A	Y		
Law enforcement fee:	\$ 14.00	N/A	Y		
Road maintenance fee:	\$ 15.00 *	N/A	Y		

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

Total charges per 10,000 gallons usage (including fees): Water \$ 54.50 Wastewater \$ 20.00

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC**</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	405	403	x1.0	403
1"	3	3	x2.5	8
1 1/2"	-	-	x5.0	-
2"	5	5	x8.0	40
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	413	411		451
Total wastewater	411	409	x1.0	409

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

Gallons pumped into the system:	25,313
Gallons billed to customers:	25,313
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*Fee only applicable to residential connections within Tavola Sections 32 and 33

**"ESFC" means equivalent single-family connections

East Montgomery County Municipal Utility District No. 7
Schedule of General Fund Expenditures
Year Ended May 31, 2021

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 13,000	
Legal	25,160	
Engineering	11,296	
Financial advisor	-	49,456
Purchased Services for Resale		
Bulk water and wastewater service purchases		257,786
Regional Water Fee		-
Contracted Services		
Bookkeeping	10,800	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	52,800	
Other contracted services	34,485	98,085
Utilities		-
Repairs and Maintenance		93,316
Administrative Expenditures		
Directors' fees	5,550	
Office supplies	-	
Insurance	2,992	
Other administrative expenditures	15,936	24,478
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	-	-
Tap Connection Expenditures		81,240
Solid Waste Disposal		51,766
Fire Fighting		-
Parks and Recreation		-
Total expenditures		\$ 656,127

East Montgomery County Municipal Utility District No. 7
Analysis of Taxes Levied and Receivable
Year Ended May 31, 2021

	Maintenance Taxes	Contract Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 1,095	\$ 1,165	\$ -
Additions and corrections to prior years' taxes	1,857	1,722	-
Adjusted receivable, beginning of year	<u>2,952</u>	<u>2,887</u>	<u>0</u>
2020 Original Tax Levy	140,810	160,458	124,437
Additions and corrections	4,355	4,962	3,848
Adjusted tax levy	<u>145,165</u>	<u>165,420</u>	<u>128,285</u>
Total to be accounted for	148,117	168,307	128,285
Tax collections: Current year	(144,356)	(164,498)	(127,570)
Prior years	(1,759)	(1,617)	-
Receivable, end of year	<u>\$ 2,002</u>	<u>\$ 2,192</u>	<u>\$ 715</u>
Receivable, by Years			
2020	\$ 809	\$ 922	\$ 715
2019	596	635	-
2018	597	635	-
Receivable, end of year	<u>\$ 2,002</u>	<u>\$ 2,192</u>	<u>\$ 715</u>

East Montgomery County Municipal Utility District No. 7
Analysis of Taxes Levied and Receivable (Continued)
Year Ended May 31, 2021

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Property Valuations			
Land	\$ 10,513,400	\$ 8,707,360	\$ 2,863,500
Improvements	24,508,870	11,388,600	1,421,540
Personal property	448,401	298,013	-
Exemptions	<u>(1,711,407)</u>	<u>(1,249,387)</u>	<u>(1,000,400)</u>
 Total property valuations	 <u>\$ 33,759,264</u>	 <u>\$ 19,144,586</u>	 <u>\$ 3,284,640</u>
 Tax Rates per \$100 Valuation			
Debt service tax rates	\$ 0.3800	\$ -	\$ -
Contract tax rates	0.4900	0.6700	0.6900
Maintenance tax rates*	<u>0.4300</u>	<u>0.6300</u>	<u>0.6100</u>
 Total tax rates per \$100 valuation	 <u>\$ 1.3000</u>	 <u>\$ 1.3000</u>	 <u>\$ 1.3000</u>
 Tax Levy	 <u>\$ 438,870</u>	 <u>\$ 248,880</u>	 <u>\$ 42,702</u>
 Percent of Taxes Collected to Taxes Levied**	 <u>98%</u>	 <u>99%</u>	 <u>99%</u>

*Maximum tax rate approved by voters: \$1.50 on May 12, 2007

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

East Montgomery County Municipal Utility District No. 7
Schedule of Long-term Debt Service Requirements by Years
May 31, 2021

Due During Fiscal Years Ending May 31	Series 2020		
	Principal Due September 1	Interest Due September 1, March 1	Total
2022	\$ 70,000	\$ 93,442	\$ 163,442
2023	80,000	92,030	172,030
2024	85,000	90,380	175,380
2025	85,000	88,638	173,638
2026	90,000	86,755	176,755
2027	95,000	84,672	179,672
2028	95,000	82,440	177,440
2029	100,000	80,050	180,050
2030	105,000	77,435	182,435
2031	105,000	74,653	179,653
2032	110,000	71,695	181,695
2033	115,000	68,430	183,430
2034	120,000	64,905	184,905
2035	125,000	61,230	186,230
2036	130,000	57,340	187,340
2037	135,000	53,199	188,199
2038	140,000	48,797	188,797
2039	145,000	44,094	189,094
2040	150,000	39,115	189,115
2041	155,000	33,852	188,852
2042	160,000	28,260	188,260
2043	165,000	22,410	187,410
2044	175,000	16,290	191,290
2045	180,000	9,900	189,900
2046	185,000	3,330	188,330
Totals	\$ 3,100,000	\$ 1,473,342	\$ 4,573,342

East Montgomery County Municipal Utility District No. 7
Changes in Long-term Bonded Debt
Year Ended May 31, 2021

	Bond Issue
	Series 2020
Interest rates	1.75% to 3.60%
Dates interest payable	September 1/ March 1
Maturity dates	September 1, 2021/2045
Bonds outstanding, beginning of current year	\$ -
Bonds sold during current year	3,100,000
Retirements, principal	-
Bonds outstanding, end of current year	\$ 3,100,000
Interest paid during current year	\$ 62,703

Paying agent's name and address:

Series 2020 - Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas

Bond authority:

	Tax Bonds	Recreational Bonds	Road Bonds	Refunding Bonds
Amount authorized by voters	\$ 191,254,893	\$ 37,900,000	\$ 163,110,503	0
Amount authorization issued	\$ 3,100,000	\$ -	\$ -	0
Remaining authorization to be issued	\$ 188,154,893	\$ 37,900,000	\$ 163,110,503	0

Debt service fund cash and temporary investment balances as of May 31, 2021: \$ 309,717

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 182,934

East Montgomery County Municipal Utility District No. 7
Comparative Schedule of Revenues and Expenditures – General Fund
Three Years Ended May 31,

	Amounts		
	2021	2020	2019
General Fund			
Revenues			
Property taxes	\$ 146,115	\$ 251,378	\$ 38,215
Water service	76,182	43,397	20,182
Sewer service	157,709	88,267	44,576
Security service	52,732	29,476	15,064
Regional water fee	78,764	55,313	25,013
Penalty and interest	3,981	5,081	1,679
Tap connection and inspection fees	169,575	106,375	73,925
Other income	17,045	5,346	5,289
Total revenues	<u>702,103</u>	<u>584,633</u>	<u>223,943</u>
Expenditures			
Service operations:			
Purchased services	257,786	190,928	82,593
Regional water fee	-	8	-
Professional fees	49,456	59,932	39,323
Contracted services	149,851	121,784	48,666
Repairs and maintenance	93,316	39,709	7,214
Other expenditures	24,478	21,310	18,750
Tap connections	81,240	47,322	39,390
Capital outlay	-	7,863	-
Debt service, contractual obligation	-	72,035	11,429
Total expenditures	<u>656,127</u>	<u>560,891</u>	<u>247,365</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>45,976</u>	<u>23,742</u>	<u>(23,422)</u>
Other Financing Sources (Uses)			
Interfund transfer out	(40,341)	-	-
Developer advances received	-	55,000	1,000
Total other financing sources (uses)	<u>(40,341)</u>	<u>55,000</u>	<u>1,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	5,635	78,742	(22,422)
Fund Balance (Deficit), Beginning of Year	<u>68,204</u>	<u>(10,538)</u>	<u>11,884</u>
Fund Balance (Deficit), End of Year	<u>\$ 73,839</u>	<u>\$ 68,204</u>	<u>\$ (10,538)</u>
Total Active Retail Water Connections	<u>411</u>	<u>231</u>	<u>128</u>
Total Active Retail Wastewater Connections	<u>409</u>	<u>225</u>	<u>122</u>

Percent of Fund Total Revenues

2021	2020	2019
20.8 %	43.0 %	17.1 %
10.9	7.4	9.0
22.5	15.1	19.9
7.5	5.0	6.7
11.2	9.5	11.2
0.6	0.9	0.8
24.1	18.2	33.0
2.4	0.9	2.3
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
36.7	32.7	36.9
-	0.0	-
7.0	10.3	17.6
21.3	20.8	21.7
13.3	6.8	3.2
3.5	3.6	8.4
11.6	8.1	17.6
-	1.3	-
-	12.3	5.1
<u>93.4</u>	<u>95.9</u>	<u>110.5</u>
<u><u>6.6 %</u></u>	<u><u>4.1 %</u></u>	<u><u>(10.5) %</u></u>

East Montgomery County Municipal Utility District No. 7
Schedule of Revenues and Expenditures – Debt Service Fund
Year Ended May 31, 2021

	Amounts	Percent of Fund Total Revenues
Debt Service Fund		
Revenues		
Property taxes	\$ 293,685	99.5 %
Penalty and interest	922	0.3
Investment income	255	0.1
Other income	322	0.1
Total revenues	295,184	100.0
Expenditures		
Current:		
Contracted services	10,025	3.4
Other expenditures	7,385	2.5
Debt service:		
Interest and fees	55,127	18.7
Contractual obligation	146,223	49.5
Total expenditures	218,760	74.1
Excess of Revenues Over Expenditures	76,424	25.9 %
Other Financing Sources		
Interfund transfers in	40,341	
General obligation bonds issued	140,575	
Total other financing sources	180,916	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	257,340	
Fund Balance, Beginning of Year	-	
Fund Balance, End of Year	\$ 257,340	

East Montgomery County Municipal Utility District No. 7
Board Members, Key Personnel and Consultants
Year Ended May 31, 2021

Complete District mailing address:	East Montgomery County Municipal Utility District No. 7 c/o Coats Rose P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046-0307
District business telephone number:	713.651.0111
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	June 11, 2021
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Beau Kaleel	Elected 05/19- 05/23	\$ 1,350	\$ 0	President
Erin Shedd	Elected 05/21- 05/25	1,200	0	Vice President
Al Valencia	Elected 05/21- 05/25	1,500	0	Secretary
Esteban Garcia	Appointed 05/21- 05/23	0	0	Assistant Secretary
Kimberly Prause	Elected 05/19- 05/23	1,500	0	Assistant Secretary

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

East Montgomery County Municipal Utility District No. 7
Board Members, Key Personnel and Consultants (Continued)
Year Ended May 31, 2021

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Assessments of the Southwest, Inc.	08/01/16	\$ 10,784	Tax Assessor/ Collector
BKD, LLP	07/22/15	23,900	Auditor
Coats Rose P.C.	02/23/07	25,160 80,279	General Counsel Bond Counsel
H ₂ O Innovation, Inc.	10/08/13	191,330	Operator
L&S District Services, LLC	02/23/07	11,700	Bookkeeper
LJA Engineering, Inc.	02/12/13	20,046	Engineer
Montgomery Central Appraisal District	Legislative Action	6,227	Appraiser
Robert W. Baird & Co. Incorporated	01/28/15	64,413	Financial Advisor
<hr/> Investment Officer <hr/>			
Debra R. Loggins	04/27/16	N/A	Bookkeeper

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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