OFFICIAL STATEMENT DATED APRIL 17, 2023

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

The bonds have not been designated as "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book Entry Only

S&P Global Ratings (BAM Insured).................................."AA"
Moody's Investor's Service, Inc. (Underlying)......."Baa1"
See "MUNICIPAL BOND INSURANCE" and "RATINGS"

$8,920,000

HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

(A Political Subdivision of the State of Texas, located within Harris and Waller Counties)

UNLIMITED TAX ROAD BONDS, SERIES 2023

Dated: May 1, 2023
Interest Accrues from: Date of Delivery

Due: September 1, as shown on inside cover

The $8,920,000 Harris-Waller Counties Municipal Utility District No. 3 Unlimited Tax Road Bonds, Series 2023 (the "Bonds") are obligations of Harris-Waller Counties Municipal Utility District No. 3 (the "District") and are not obligations of the State of Texas; Harris County, Texas; Waller County, Texas; the City of Katy, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Harris County, Texas; Waller County, Texas; the City of Katy, Texas; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are dated May 1, 2023 (the "Dated Date"), and will accrue interest from the date of delivery, which is expected to be on or about May 16, 2023 (the "Date of Delivery"), with interest payable September 1, 2023, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the "Record Date"). The Bonds are fully registered bonds in principal denominations of $5,000 or any integral multiple thereof.

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

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM").**

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

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the winning bidder for the Bonds (the "Initial Purchaser"), subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. Delivery of the Bonds is expected on or about May 16, 2023.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

$8,920,000 Unlimited Tax Road Bonds, Series 2023

$7,095,000 Serial Bonds

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 414642 (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 414642 (b)
2024	$ 165,000	5.500%	3.050%	MD7	2035 (c)	$ 340,000	4.000%	3.650%	MQ8
2025	210,000	5.500%	3.000%	ME5	2036 (c)	355,000	4.000%	3.800%	MR6
2026	220,000	5.500%	3.000%	MF2	***	***	***	***	***
2027	230,000	5.500%	3.000%	MG0	2039 (c)	410,000	4.000%	4.050%	MU9
2028	240,000	5.000%	3.000%	MH8	2040 (c)	435,000	4.000%	4.090%	MV7
2029	255,000	5.000%	3.000%	MJ4	2041 (c)	455,000	4.000%	4.110%	MW5
2030 (c)	265,000	3.000%	3.200%	MK1	2042 (c)	480,000	4.000%	4.130%	MX3
2031 (c)	280,000	3.000%	3.300%	ML9	2043 (c)	425,000	4.000%	4.150%	MY1
2032 (c)	295,000	3.250%	3.400%	MM7	2044 (c)	445,000	4.000%	4.170%	MZ8
2033 (c)	310,000	3.250%	3.500%	MN5	2045 (c)	465,000	4.000%	4.180%	NA2
2034 (c)	325,000	3.500%	3.650%	MP0	2046 (c)	490,000	4.000%	4.190%	NB0

$1,825,000 Term Bonds

$770,000 Term Bond Due September 1, 2038 (c)(d), Interest Rate: 4.000% (Price: $100.000) (a), CUSIP No. 414642 MT2 (b)

$1,055,000 Term Bond Due September 1, 2048 (c)(d), Interest Rate: 4.000% (Price: $96.897) (a), CUSIP No. 414642 ND6 (b)

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by 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 May 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 of the Bonds – *Optional Redemption*.”

(d) Subject to certain mandatory redemption provisions set forth herein under “THE BONDS – Redemption of the Bonds – *Mandatory Redemption*.”

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel, for further information.

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

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

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

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

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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 effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" at a price of 97.020911% of the par value thereof, which resulted in a net effective interest rate of 4.164058%, as calculated pursuant to Chapter 1204 of the 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.

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

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, BAM will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as "APPENDIX B."

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2022, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $490.7 million, $207.3 million and $283.4 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

RATINGS

The Bonds will receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policies by BAM 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.

Moody's Investors Service, Inc. ("Moody's") has assigned an underlying credit rating of "Baa1" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. 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 Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the underlying credit rating may have an adverse effect on the market price of the Bonds.

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

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The District	Harris-Waller Counties Municipal Utility District No. 3 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas and Waller County, Texas. See "THE DISTRICT."
The Bonds	The District's $8,920,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds"), are dated May 1, 2023 (the "Dated Date"), and mature on September 1 in the years and in the principal amounts as shown on the cover page hereof. The Bonds will accrue interest from the date of delivery, which is expected to be on or about May 16, 2023 (the "Date of Delivery"), with interest payable September 1, 2023, and on each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. See "THE BONDS."
Redemption of the Bonds	The Bonds that mature on or after September 1, 2030, are subject to redemption, in whole or from time to time in part, on May 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 of the Bonds – *Optional Redemption*." The Bonds maturing on September 1 in the years 2038 and 2048 are term bonds (the "Term Bonds"). The Term Bonds also have certain mandatory redemption provisions as set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."
Book-Entry-Only System	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
Authority for Issuance	The Bonds are the sixth series of bonds to be issued by the District out of an aggregate $127,400,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing or acquiring a road system to serve the District (the "Road System") and for the refunding of bonds issued by the District for the Road System. Following the issuance of the Bonds, $86,165,000 principal amount of unlimited tax bonds for the Road System and the refunding of such bonds will remain authorized but unissued. The Bonds are issued pursuant to: the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, applicable to municipal utility districts created under Section 52, Article III, Texas Constitution; Senate Bill 608 (83rd Regular Session) now codified as Chapter 8431, Subtitle F, Title 6, Texas Special District Local Laws Code; a resolution adopted by the Board of Directors of the District on the date of sale of the Bonds (the "Bond Resolution"); and an election held in the District on November 4, 2014.
Source of Payment	The Bonds are payable from a continuing, direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of

the State of Texas; Harris County, Texas; Waller County, Texas; the City of Katy, Texas; or any entity other than the District. See "THE BONDS – Source of Payment." The District is authorized to levy separate taxes to pay debt service on bonds issued for the purpose of constructing or acquiring a water, wastewater, and drainage system (the "Utility System," and together with the Road System, the "System"), and to pay debt service on bonds issued for the purpose of constructing or acquiring the Road System; both such taxes are unlimited as to rate or amount.

Outstanding Bonds..The District has previously issued five (5) series of bonds for the purpose of constructing or acquiring the Road System: $9,385,000 Unlimited Tax Road Bonds, Series 2016; $3,290,000 Unlimited Tax Road Bonds, Series 2017; $3,600,000 Unlimited Tax Road Bonds, Series 2020; $2,860,000 Unlimited Tax Road Bonds, Series 2021; and $13,180,000 Unlimited Tax Road Bonds, Series 2022, of which an aggregate of $30,470,000 principal amount will remain outstanding as of delivery of the Bonds (the "Outstanding Road Bonds"). The District has previously issued six (6) series of bonds for the purpose of constructing or acquiring the Utility System: $5,765,000 Unlimited Tax Bonds, Series 2017; $8,420,000 Unlimited Tax Bonds, Series 2018; $10,680,000 Unlimited Tax Bonds, Series 2019; $6,350,000 Unlimited Tax Bonds, Series 2020; $10,000,000 Unlimited Tax Bonds, Series 2021; and $14,390,000 Unlimited Tax Bonds, Series 2022, of which an aggregate of $53,425,000 principal amount will remain outstanding as of delivery of the Bonds (the "Outstanding Utility Bonds," and together with the Outstanding Road Bonds, the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."

Payment Record ....The District has never defaulted on the timely payment of debt service on its bonded indebtedness.

Use of Proceeds...Proceeds of the Bonds will be used to reimburse the Developer for a portion of the costs of the projects listed under "THE BONDS – Use and Distribution of Proceeds." Proceeds from the Bonds will also be used to reimburse the Developer for costs related to the operation of the District, to pay developer interest, and to pay certain other costs associated with the issuance of the Bonds. See "THE BONDS – Use and Distribution of Proceeds."

NOT Qualified Tax-Exempt Obligations ....The Bonds have not been designated as "qualified tax-exempt obligations" for financial institutions.

Municipal Bond Insurance...Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."

Ratings ....S&P Global Ratings (BAM Insured): "AA." Moody's Investors Services, Inc. (Underlying): "Baa1." See "RATINGS."

Bond Counsel ....Allen Boone Humphries Robinson LLP, Houston, Texas.

Disclosure Counsel..Orrick, Herrington & Sutcliffe LLP, Houston, Texas.

Financial Advisor ....Robert W. Baird & Co. Incorporated, Houston, Texas.

THE DISTRICT

Description..The District was created under Section 59, Article XVI of the Texas Constitution, by Senate Bill No. 608, an act of the 83rd Texas Legislature, Regular Session, effective June 14, 2013, and codified as Chapter 8431, Subtitle F, Title 6, Special District Local Laws Code. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and is authorized to construct roads, and improvements in aid thereof, as provided under Section 52, Article III of the Texas Constitution.

Upon creation, the District comprised approximately 448.64 acres. Due to subsequent annexations, the District now contains approximately 1,089.07 acres. The District is situated within Waller County, Texas, and in Harris County, Texas. The District is located approximately 30 miles west of the

	central business district of the City of Houston, Texas. The District is located entirely within the corporate limits of the City of Katy, Texas. See "THE DISTRICT."
Development within the District	The District is part of the development of Cane Island, a master-planned community that consists of approximately 1,089.07 total acres located in the City of Katy, Texas. In the District, approximately 766.15 acres (2,119 lots) have been developed as the single-family residential subdivisions of Cane Island, Sections 1 – 45. As of March 1, 2023, said subdivisions included approximately 1,616 completed homes, approximately 101 homes under construction, and approximately 402 vacant developed lots. The remainder of the land within the District currently includes 0.00 acres under construction, 0.00 acres that are undeveloped but developable, and 322.92 undevelopable acres for detention, roadways, and reserves for parks, open spaces, and landscaping. See "DEVELOPMENT OF THE DISTRICT."
Developer	Katy 850 LLC, a Delaware limited liability company (the "Developer") was formed for the purpose of facilitating the acquisition and development of land in the District. The Developer is managed by Rise Communities, LLC, a developer and manager of large-scale, master-planned communities in several states. See "PRINCIPAL LANDOWNERS/DEVELOPER."
Homebuilders within the District	The homebuilders active within the District are Coventry Homes, Highland Homes, Chesmar Homes, Shea Homes, David Weekley Homes and Perry Homes. Custom Homes are also being constructed by William David Homes. Prices of new homes being constructed within the District range from $400,000 to over $1,000,000 and range in size from 2,000 to 6,000 square feet for larger custom homes. See "PRINCIPAL LANDOWNER/DEVELOPER – Homebuilders within the District."

INFECTIOUS DISEASE OUTBREAK (COVID-19)

Infectious Disease Outbreak (COVID-19).............	The purchase and ownership of the Bonds is subject to certain investment considerations, including certain factors related to the current COVID-19 pandemic. See "INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak – COVID-19."

INVESTMENT CONSIDERATIONS

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

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

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2022 Certified Taxable Assessed Valuation	$	680,186,186	(a)
Estimated Taxable Assessed Valuation as of February 1, 2023	$	905,941,428	(b)
Direct Debt:			
The Outstanding Bonds (as of delivery of the Bonds)	$	83,895,000	
The Bonds		8,920,000	
Total	$	92,815,000	
Estimated Overlapping Debt	$	57,663,532	(c)
Total Direct and Estimated Overlapping Debt	$	150,478,532	(c)
Direct Debt Ratios:			
As a percentage of the 2022 Certified Taxable Assessed Valuation		13.65	%
As a percentage of the Estimated Taxable Assessed Valuation as of February 1, 2023		10.25	%
Direct and Estimated Overlapping Debt Ratios:			
As a percentage of the 2022 Certified Taxable Assessed Valuation		22.12	%
As a percentage of the Estimated Taxable Assessed Valuation as of February 1, 2023		16.61	%
Utility System Debt Service Fund Balance (as of March 20, 2023)	$	4,073,329	(d)
Road System Debt Service Fund Balance (as of March 20, 2023)	$	1,644,805	(e)
Utility System Capital Projects Fund (as of March 20, 2023)	$	224,373	
Road System Capital Projects Fund (as of March 20, 2023)	$	122,529	
General Fund Balance (as of March 20, 2023)	$	2,010,557	

(a) All taxable property located in the District is valued on the applicable appraisal roll of both the Waller County Appraisal District ("WCAD") and the Harris Central Appraisal District ("HCAD") as of January 1, 2022. All property located in the District is valued on the tax rolls by the Appraisal District at 100% of estimated market value as of January 1 of each year. See "TAXING PROCEDURES" and "TAX DATA."

(b) Provided by the WCAD and HCAD for informational purposes only. Such amount includes $134,328, which is the 2022 certified value for the Harris County portion in the District. This amount is an estimate of the taxable value of all taxable property located within the District as of February 1, 2023, and includes an estimate of additional taxable value in Waller County resulting from the construction of taxable improvements from January 1, 2022, through February 1, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."

(d) Neither Texas law nor the resolutions authorizing the issuance of the Outstanding Utility Bonds (herein defined) require that the District maintain any particular sum in the District's fund created for payment of debt service on bonds issued for the Utility System (herein defined) (the "Utility System Debt Service Fund"). Funds in the Utility System Debt Service Fund are not available to pay debt service on the Bonds or the Outstanding Road Bonds (herein defined).

(e) Neither Texas law nor the Bond Resolution (herein defined) requires that the District maintain any particular sum in the District's fund created for payment of debt service on bonds issued for the Road System (herein defined), including the Bonds (the "Road System Debt Service Fund"). Funds in the Road System Debt Service Fund are not available to pay debt service on the Outstanding Utility Bonds.

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2022 Tax Rate per $100 of Assessed Taxable Valuation			
Utility System Debt Service	$	0.530	(a)
Road System Debt Service		0.300	(a)
Maintenance and Operations		0.100	
Total	$	0.930	
Average Annual Debt Service Requirement (2023–2048)	$	5,166,807	(b)
Maximum Annual Debt Service Requirement (2041)	$	5,936,316	(b)
Combined Debt Service Tax Rate per $100 of Assessed Taxable Valuation Required to Pay the Average Annual Debt Service Requirement (2023–2048) at 95% Tax Collections:			
Based on the 2022 Certified Taxable Assessed Valuation	$	0.80	
Based on the Estimated Taxable Assessed Valuation as of February 1, 2023	$	0.61	
Combined Debt Service Tax Rate per $100 of Assessed Taxable Valuation Required to Pay the Maximum Annual Debt Service Requirement (2041) at 95% Tax Collections:			
Based on the 2022 Certified Taxable Assessed Valuation	$	0.92	
Based on the Estimated Taxable Assessed Valuation as of February 1, 2023	$	0.69	
Single-Family Homes (including 101 under construction) as of March 1, 2023		1,717	(c)

(a) The District is authorized to levy two separate taxes to pay debt service on the bonds issued for the Road System, including the Bonds, and bonds issued for the Utility System. Such taxes are unlimited as to rate or amount.

(b) Requirement of debt service on the Outstanding Bonds (herein defined) and the Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

(c) Of the 1,717 homes completed and under construction as of March 1, 2023, 1,701 homes were sold to homeowners within the District.

$8,920,000

HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3
UNLIMITED TAX ROAD BONDS, SERIES 2023

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Harris-Waller Counties Municipal Utility District No. 3 (the "District") of its $8,920,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to: the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, applicable to municipal utility districts created under Section 52, Article III, Texas Constitution; Senate Bill 608 (83rd Regular Session) now codified as Chapter 8431, Subtitle F, Title 6, Texas Special District Local Laws Code; a resolution adopted by the Board of Directors of the District on the date of sale of the Bonds (the "Bond Resolution"); and an election held in the District on November 4, 2014.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Resolution.

There follow in this Official Statement descriptions of the Bonds, the Developer (herein defined), the Bond Resolution and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, upon payment of the costs of duplication therefore.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution. A copy of the Bond Resolution may be obtained from the District upon written request made to the District's Bond Counsel, Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The Bonds are dated May 1, 2023 (the "Dated Date"), and will accrue interest from the date of delivery, which is expected to be on or about May 16, 2023 (the "Date of Delivery"), with interest payable September 1, 2023, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully-registered bonds maturing on September 1 of the years shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the "Registered Owners") at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee'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 Participant, (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 3.6 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 Securities, 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 Securities 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 Securities 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 Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Successor Paying Agent/Registrar

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

Registration, Transfer and Exchange

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Bondholder.

The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Bondholder or assignee of the Bondholder within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of $5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption of the Bonds

Optional Redemption

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 May 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 such random method as the Paying Agent/Registrar deems fair and appropriate 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 2038 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:

$770,000 Term Bond Maturing on September 1, 2038

Mandatory Redemption Date	Principal Amount
September 1, 2037	$ 375,000
September 1, 2038 (Maturity)	$ 395,000

$1,055,000 Term Bond Maturing on September 1, 2048

Mandatory Redemption Date	Principal Amount
September 1, 2047	$ 515,000
September 1, 2048 (Maturity)	$ 540,000

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Authority for Issuance

The Bonds are the sixth series of bonds to be issued by the District out of an aggregate $127,400,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing or acquiring a road system to serve the District (the "Road System") and for the refunding of bonds issued by the District for the Road System. Following the issuance of the Bonds, $86,165,000 principal amount of unlimited tax bonds for the Road System and for the refunding of such bonds will remain authorized but unissued. The Bonds are issued pursuant to: the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, applicable to municipal utility districts created under Section 52, Article III, Texas Constitution; Senate Bill 608 (83rd Regular Session) now codified as Chapter 8431, Subtitle F, Title 6, Texas Special District Local Laws Code; the Bond Resolution; and an election held in the District on November 4, 2014.

Following the issuance of the Bonds, the following amounts will remain authorized but unissued: $86,165,000 principal amount of unlimited tax bonds for the Road System and for the refunding of such bonds; $299,295,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a water, wastewater, and drainage system to serve the District (the "Utility System") and for the refunding of such bonds; and $32,500,000 principal amount of unlimited tax bonds for parks and recreational improvements and for the refunding of such bonds.

Outstanding Bonds

The District has previously issued five (5) series of bonds for the purpose of acquiring or constructing the Road System: $9,385,000 Unlimited Tax Road Bonds, Series 2016; $3,290,000 Unlimited Tax Road Bonds, Series 2017; $3,600,000 Unlimited Tax Road Bonds, Series 2020; $2,860,000 Unlimited Tax Road Bonds, Series 2021; and $13,180,000 Unlimited Tax Road Bonds, Series 2022, of which an aggregate of $30,470,000 principal amount will remain outstanding as of delivery of the Bonds (the "Outstanding Road Bonds"). The District has previously issued six (6) series of bonds for the purpose of acquiring or constructing the Utility System: $5,765,000 Unlimited Tax Bonds, Series 2017; $8,420,000 Unlimited Tax Bonds, Series 2018; $10,680,000 Unlimited Tax Bonds, Series 2019; $6,350,000 Unlimited Tax Bonds, Series 2020; $10,000,000 Unlimited Tax Bonds, Series 2021; and $14,390,000 Unlimited Tax Bonds, Series 2022, of which an aggregate of $53,425,000 principal amount will remain outstanding as of delivery of the Bonds (the "Outstanding Utility Bonds," and together with the Outstanding Road Bonds, the "Outstanding Bonds").

Issuance of Additional Debt

The District may issue additional bonds with, as needed, the approval of the Texas Commission on Environmental Quality (the "TCEQ") necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of $127,400,000 unlimited tax bonds for the Road System and for the refunding of such bonds; $354,900,000 unlimited tax bonds for the Utility System and for the refunding of such bonds; $32,500,000 unlimited tax bonds for parks and recreational improvements and for the refunding of such bonds; and could authorize additional amounts.

The Bonds are the sixth series of bonds to be issued by the District out of an aggregate $127,400,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing or acquiring the Road System and for the refunding of bonds issued by the District for the Road System. Following the issuance of the Bonds, $86,165,000 principal amount of unlimited tax bonds for the Road System and the refunding of such bonds will remain authorized but unissued.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds issued for the Utility System or for recreational facilities, approved by the TCEQ). As of March 1, 2023, the District owes the Developer approximately $37,114,000 for expenditures to construct the Utility System, Road System, and park and recreational facilities in the District.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. The Board of Directors has not considered adoption of a fire plan or calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt-property ratios and might adversely affect the investment security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District prepared a parks master plan, and on November 4, 2014, as noted above, the District's voters authorized $32,500,000 in unlimited tax bonds for the purpose of acquiring and constructing parks and recreational facilities and the refunding of such bonds. Before the District can issue park bonds payable from taxes, the following actions are required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The District has not considered the preparation of a parks bond application at this time. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in 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 greater than 3% of the value of taxable property in the District.

Source of Payment

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, fees of the Paying Agent/Registrar and fees of appraisal districts. Tax proceeds, after deduction for collection costs, will be placed in the debt service fund and used solely to pay principal of and interest on the Bonds, and additional bonds payable from taxes which may be issued, and Paying Agent/Registrar fees. The District is authorized to levy separate taxes to pay debt service on bonds issued for the Utility System and to pay debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount.

The Bonds are obligations solely of the District and are not the obligations of the State of Texas; Harris County, Texas; Waller County, Texas; the City of Katy, Texas (the "City"); or any entity other than the District.

No Arbitrage

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

Consolidation and Dissolution

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) and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

The City has the right to abolish and dissolve the District and to acquire the District's assets and assume the District's obligations in accordance with state law, subject, however to the terms of the hereinafter-defined Utility Agreement entered into by and between the District and the City. See "UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF KATY." If any of the Bonds are outstanding at the time of dissolution, the payment of such Bonds becomes the obligation of the City. Dissolution of the District is a policy matter for the City. The District can make no representation regarding the likelihood that the City will dissolve the District.

Defeasance

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

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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.

Registered Owners' Remedies

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

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Use and Distribution of Proceeds

Proceeds of the Bonds will be used to reimburse the Developer for a portion of the costs of the projects listed under this section. Proceeds from the Bonds will also be used to reimburse the Developer for costs related to the operation of the District, to pay developer interest, and to pay certain other costs associated with the issuance of the Bonds.

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

	District's Share
CONSTRUCTION COSTS	
A. Developer Contribution Items	
1. Cane Island, Section 14	$ 184,216
2. Cane Island Innovation Drive, Phase 3	529,746
3. Cane Island, Section 35	623,092
4. Cane Island, Section 36	743,314
5. Cane Island, Section 37	903,699
6. Cane Island, Section 42	776,617
7. Cane Island, Section 43	404,283
8. Cane Island, Section 44	753,905
9. Cane Island, Section 45	619,898
10. Engineering & Geotechnical Fees	457,712
11. Storm Water Compliance	141,218
12. Traffic Analysis	91,264
13. Pipeline Lowering	654,537
14. Right-of-Way Landscaping	121,739
15. Land Acquisition	924,855
Total Developer Contribution Items	$ 7,930,093
TOTAL CONSTRUCTION COSTS	$ 7,930,093
Less Surplus Funds	$ (121,739)
TOTAL CONSTRUCTION COSTS (87.54% of BIR)	**$ 7,808,355**
NON-CONSTRUCTION COSTS	
A. Legal Fees	$ 218,400
B. Fiscal Agent Fees	178,400
C. Engineering Bond Fees	56,900
D. Developer Interest	329,144
E. Bond Discount	265,735
F. Bond Issuance Expenses	52,281
G. Attorney General Fee (0.10%)	8,920
H. Contingency (a)	1,865
TOTAL NON-CONSTRUCTION COSTS	$ 1,111,645
TOTAL BOND ISSUE REQUIREMENT	**$ 8,920,000**

(a) Represents the difference between the estimated and actual amount of Bond Discount.

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

THE DISTRICT

Authority

The District was created under Section 59, Article XVI of the Texas Constitution, by Senate Bill No. 608, an act of the 83rd Texas Legislature, Regular Session, effective June 14, 2013 (codified as Chapter 8431, Subtitle F, Title 6, Special District Local Laws Code), and by a confirmation election held within the District on November 4, 2014. The District operates under the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, applicable to municipal utility districts created under Section 59, Article XVI of the Texas Constitution and is authorized to construct and finance road project as provided under Section 52, Article III of the Texas Constitution.

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

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

Description

The District comprised approximately 448.64 total acres of land at the time of its creation. Subsequently, there have been seven (7) annexations adding lands into the District's boundaries: the first dated January 19, 2015, adding 158.38 acres, the second dated November 16, 2015, adding 137.12 acres, the third dated October 16, 2017, adding 72.98 acres, the fourth dated November 19, 2018, adding 3.22 acres, the fifth dated December 17, 2018, adding 98.66 acres, the sixth dated December 16, 2019, adding 91.78 acres, and the seventh dated December 20, 2021, adding 78.29 acres. The District now contains approximately 1,089.07 acres.

The District is situated primarily within Waller County, Texas, although a portion of the District's lands, approximately 31.06 acres of undeveloped property owned by the Developer, is within Harris County, Texas. The District is located entirely within the corporate limits of the City and lies approximately 30 miles west of the central business district of the City of Houston, Texas.

Management of the District

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

Name	Title	Term Expires May
Lonnie Lee	President	2024
Monica Luedecke	Vice President	2024
Jennifer White	Secretary	2026
Steven Dornak	Assistant Vice President	2026
Valerie Davis	Assistant Secretary	2026

Investment Policy

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

Consultants

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

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

Bookkeeper: The District's bookkeeper is District Data Services, Inc. Such firm acts as bookkeeper for approximately 7 utility districts.

Utility System Operator: The City, pursuant to the Utility Agreement (hereinafter defined) by and between the District and the City, operates the District's water and sewer system. See "UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF KATY."

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District engaged McGrath & Co., PLLC as its auditor for the fiscal year ended March 31, 2022, which audited financial statements are attached hereto as "APPENDIX A."

Engineer: The District's engineer is Edminster, Hinshaw, Russ and Associates, Inc. (the "Engineer"). Such firm acts as engineer for many residential and commercial developments in Texas.

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

Disclosure Counsel: The District has engaged Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as disclosure counsel ("Disclosure Counsel") in connection with the issuance of the Bonds. The fees to be paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Robert W. Baird & Co. Incorporated serves 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.

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General Fund Operating Statement

The following is a summary of the District's operating fund activity for the last five full fiscal years. The summary below has been prepared by the Financial Advisor based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and more complete information. See "APPENDIX A."

		Fiscal Year Ended March 31,				
	2023 (a)	2022	2021	2020	2019	2018
Revenues						
Property Taxes	$ 621,025	$ 876,391	$ 537,337	$ 483,467	$ 436,088	$ 604,028
Investment Earnings	37,210	625	1,489	12,222	6,354	627
Total Revenues	$ 658,235	$ 877,826	$ 538,826	$ 495,689	$ 442,442	$ 604,655
Expenditures:						
Professional Fees	$ 143,493	$ 158,013	$ 153,160	$ 111,524	$ 100,391	$ 109,802
Contracted Services	183,539	11,145	11,290	10,680	10,620	10,605
Repairs and Maintenance	0	178,072	170,290	150,000	108,333	114,180
Administrative	16,326	24,222	18,820	15,492	14,894	16,704
Other	18,170	229	11,917	4,829	448	0
Total Expenditures	$ 361,528	$ 371,681	$ 366,020	$ 292,525	$ 234,686	$ 251,291
Revenues Over/(Under) Expenditures	$ 296,707	$ 505,335	$ 172,806	$ 203,164	$ 207,756	$ 353,364
Other Financing Sources/(Uses)						
Internal Transfers	$ 0	$ 0	$ 0	$ 0	$ 0	$ (140,000)
Net Change in Fund Balances	$ 296,707	$ 505,335	$ 172,806	$ 203,164	$ 207,756	$ 213,364
Fund Balance, Beginning of Period	$ 1,745,327	$ 1,239,992	$ 1,067,186	$ 864,022	$ 656,266	$ 442,902
Fund Balance, End of Period	$ 2,042,034	$ 1,745,327	$ 1,239,992	$ 1,067,186	$ 864,022	$ 656,266

(a) Unaudited.

DEVELOPMENT OF THE DISTRICT

The District is part of the development of Cane Island, a master-planned community that consists of approximately 1,089.07 total acres located in the City. In the District, approximately 766.15 acres (2,119 lots) have been developed as the single-family residential subdivisions of Cane Island, Sections 1 – 45. As of March 1, 2023, said subdivisions included approximately 1,616 completed homes, approximately 101 homes under construction, and approximately 402 vacant developed lots. The remainder of the land within the District currently includes 0.00 acres under construction, 0.00 acres that are undeveloped but developable and 322.92 undevelopable acres for detention, roadways, and reserves for parks, open spaces, and landscaping.

Status of Development within the District

The table below summarizes the status of development and land use within the District as of March 1, 2023:

Cane Island	Acreage	Lots	Homes Completed	Under Construction	Lots
Section 1	16.03	62	62	0	0
Section 2	20.83	83	83	0	0
Section 3	13.78	48	48	0	0
Section 4	14.48	55	55	0	0
Section 5	21.25	72	72	0	0
Section 6	34.59	84	84	0	0
Section 7	19.55	47	47	0	0
Section 8	20.58	39	39	0	0
Section 9	21.49	45	45	0	0
Section 10	5.43	15	12	0	3
Section 11	16.99	72	22	10	40
Section 12	13.39	43	18	11	14
Section 13	26.39	48	6	6	36
Section 14	15.20	46	23	8	15
Section 15	13.53	50	11	5	34
Section 16	19.54	21	8	3	10
Section 17	15.54	36	36	0	0
Section 18	22.15	40	40	0	0
Section 19	15.44	34	34	0	0
Section 20	15.76	48	48	0	0
Section 21	21.74	61	61	0	0
Section 22	17.02	50	50	0	0
Section 23	14.73	49	49	0	0
Section 24	17.05	44	44	0	0
Section 25	27.53	61	61	0	0
Section 26	5.41	20	20	0	0
Section 27	15.58	73	73	0	0
Section 28	17.75	54	54	0	0
Section 29	13.01	31	31	0	0
Section 30	11.02	17	0	4	13
Section 31	27.00	54	21	5	28
Section 32A	6.58	16	16	0	0

Section 32B	13.82	39	38	1	0
Section 33	14.97	38	38	0	0
Section 34	21.95	53	45	6	2
Section 36	10.32	37	0	0	37
Section 37	16.47	48	14	11	23
Section 38	14.38	54	0	1	53
Section 39	21.57	66	66	0	0
Section 40	23.40	53	53	0	0
Section 41	10.80	32	32	0	0
Section 42	14.29	52	52	0	0
Section 43	11.25	39	0	2	37
Section 45	8.36	34	5	23	6
Totals	766.15	2,119	1,616	101	402

Undevelopable	322.92
Under Construction	0.00
Remaining Developable	00.00
District Total	1,089.07

PRINCIPAL LANDOWNERS/DEVELOPER

Role of the Developer

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

Principal Landowner/Developer

Katy 850 LLC, a Delaware limited liability company (the "Developer" as previously defined herein), was formed for the purpose of acquisition, development, and divestment of tracts of land, including lands in the District. The Developer has determined the overall development plan for such land in the District and arranged for the construction of water, sanitary sewer and road facilities within the District. The Developer is raising equity capital and plans to use equity contributions from various investors to fund the development of Cane Island, including the District.

The Developer is managed by Rise Communities, LLC, a Nevada limited liability company ("Rise"). Rise is a developer and manager of master-planned, large-scale communities. In addition to developing Cane Island, Rise is also developing Meridiana, a 3,000-acre master planned community located near Highway 288 and Highway 6 in Brazoria County, Texas, and is in the planning stages of a 3,600-acre master-planned community in Phoenix, Arizona.

Homebuilders within the District

The homebuilders active within the District are Coventry Homes, Highland Homes, Chesmar Homes, Shea Homes, David Weekley Homes and Perry Homes. Custom Homes are also being constructed by William David Homes. Prices of new homes being constructed within the District range from $400,000 to over $1,000,000 and range in size from 2,000 to 6,000 square feet for larger custom homes.

UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF KATY

The District operates pursuant to a Utility Functions and Services Allocation Agreement between the City and the Developer (the "Utility Agreement"). Pursuant to the Utility Agreement, the District assumed responsibility for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution and wastewater collection facilities to serve development occurring within the boundaries of the District (the "Facilities") and the City agreed to provide the District with its ultimate capacity needs for water and wastewater service and to make an annual payment to the District in consideration of the District's financing, acquisition and construction of the Facilities.

The Facilities: The Utility Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply subject to a per-connection capital recovery fee. The Utility Agreement authorizes the District to purchase capacity in the City's Sewage Treatment Plant based on the City's capital recovery fee. The capital recovery fee for water supply is $1,236 per connection and for wastewater treatment plant capacity is $1,236 per connection. The District agrees to limit the quantity of wastewater delivered to the amount of wastewater treatment plant capacity purchased through one point of discharge, which is metered. The City agrees to acknowledge any purchase by the District and agrees to hold such capacity for the sole benefit of the District. The District has the right to assign all or any part of its capacity to subsequent purchasers, landowners and developers within the District's boundaries. Prior to making any connection to the District's sanitary sewer system, the District agrees to issue an assignment of capacity and ensure that all required inspections are conducted by the City.

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

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

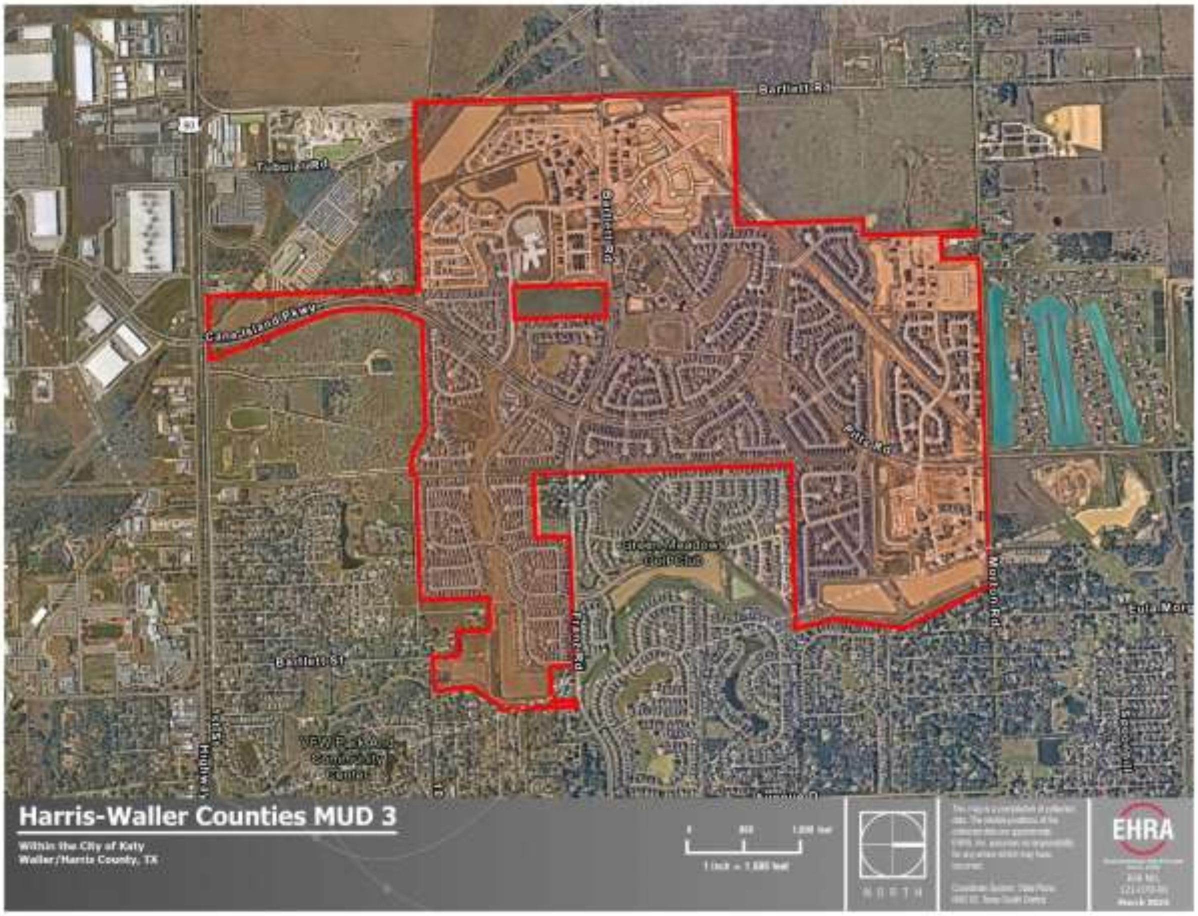
Rates for Service: The City agrees to bill and collect from customers of the District such rates and charges for such customers as the City, in its sole discretion, determines are necessary, provided that the rates and charges will be equal and uniform to those charged to other similar users outside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

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

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

AERIAL PHOTOGRAPH OF THE DISTRICT

(March 2023)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(March 2023)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(March 2023)

DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the principal and interest requirements of the Outstanding Bonds and the principal and interest requirements for the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service (a)	The Bonds Principal	The Bonds Interest	The Bonds Debt Service	Total Debt Service
2023	$ 3,309,964	$ –	$ 105,733	$ 105,733	$ 3,415,697
2024	5,297,894	165,000	362,513	527,513	5,825,406
2025	5,292,855	210,000	353,438	563,438	5,856,293
2026	5,289,768	220,000	341,888	561,888	5,851,655
2027	5,285,243	230,000	329,788	559,788	5,845,030
2028	5,275,655	240,000	317,138	557,138	5,832,793
2029	5,273,999	255,000	305,138	560,138	5,834,136
2030	5,267,274	265,000	292,388	557,388	5,824,661
2031	5,260,224	280,000	284,438	564,438	5,824,661
2032	5,259,399	295,000	276,038	571,038	5,830,436
2033	5,257,921	310,000	266,450	576,450	5,834,371
2034	5,263,253	325,000	256,375	581,375	5,844,628
2035	5,273,740	340,000	245,000	585,000	5,858,740
2036	5,278,815	355,000	231,400	586,400	5,865,215
2037	5,290,409	375,000	217,200	592,200	5,882,609
2038	5,303,340	395,000	202,200	597,200	5,900,540
2039	5,310,546	410,000	186,400	596,400	5,906,946
2040	5,321,459	435,000	170,000	605,000	5,926,459
2041	5,328,716	455,000	152,600	607,600	5,936,316
2042	4,800,470	480,000	134,400	614,400	5,414,870
2043	4,601,011	425,000	115,200	540,200	5,141,211
2044	3,784,551	445,000	98,200	543,200	4,327,751
2045	3,801,071	465,000	80,400	545,400	4,346,471
2046	2,617,956	490,000	61,800	551,800	3,169,756
2047	1,921,525	515,000	42,200	557,200	2,478,725
2048	–	540,000	21,600	561,600	561,600
Total (a)	$ 119,967,057	$ 8,920,000	$ 5,449,920	$14,369,920	$ 134,336,977

(a) Outstanding as of delivery of the Bonds.

Average Annual Debt Service Requirement (2023–2048) $5,166,807

Maximum Annual Debt Service Requirement (2041) $5,936,316

[*Remainder of page intentionally left blank.*]

Bonded Indebtedness

2022 Certified Taxable Assessed Valuation	$	680,186,186	(a)
Estimated Taxable Assessed Valuation as of February 1, 2023	$	905,941,428	(b)
Direct Debt:			
The Outstanding Bonds (as of delivery of the Bonds)	$	83,895,000	
The Bonds		8,920,000	
Total	$	92,815,000	
Estimated Overlapping Debt	$	57,663,532	(c)
Total Direct and Estimated Overlapping Debt	$	150,478,532	(c)
Direct Debt Ratios:			
As a percentage of the 2022 Certified Taxable Assessed Valuation		13.65	%
As a percentage of the Estimated Taxable Assessed Valuation as of February 1, 2023		10.25	%
Direct and Estimated Overlapping Debt Ratios:			
As a percentage of the 2022 Certified Taxable Assessed Valuation		22.12	%
As a percentage of the Estimated Taxable Assessed Valuation as of February 1, 2023		16.61	%
Utility System Debt Service Fund Balance (as of March 20, 2023)	$	4,073,329	(d)
Road System Debt Service Fund Balance (as of March 20, 2023)	$	1,644,805	(e)
Utility System Capital Projects Fund (as of March 20, 2023)	$	224,373	
Road System Capital Projects Fund (as of March 20, 2023)	$	122,529	
General Fund Balance (as of March 20, 2023)	$	2,010,557	

(a) All taxable property located in the District is valued on the applicable appraisal roll of both the Waller County Appraisal District ("WCAD") and the Harris Central Appraisal District ("HCAD") as of January 1, 2022. All property located in the District is valued on the tax rolls by the Appraisal District at 100% of estimated market value as of January 1 of each year. See "TAXING PROCEDURES" and "TAX DATA."

(b) Provided by the WCAD and HCAD for informational purposes only. Such amount includes $134,328, which is the 2022 certified value for the Harris County portion in the District. This amount is an estimate of the taxable value of all taxable property located within the District as of February 1, 2023, and includes an estimate of additional taxable value in Waller County resulting from the construction of taxable improvements from January 1, 2022, through February 1, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."

(d) Neither Texas law not the resolutions authorizing the issuance of the Outstanding Utility Bonds require that the District maintain any particular sum in the District's debt service fund created for payment of debt service on bonds issued for the Utility System (the "Utility System Debt Service Fund"). Funds in the Utility System Debt Service Fund are not available to pay debt service on the Bonds or the Outstanding Road Bonds.

(e) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the District's fund created for payment of debt service on bonds issued for the Road System, including the Bonds (the "Road System Debt Service Fund"). Funds in the Road System Debt Service Fund are not available to pay debt service on the Outstanding Utility Bonds.

Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt February 28, 2023	Overlapping Percent	Overlapping Amount
Waller County, Texas	$ 71,955,000	7.31%	$ 5,260,859
City of Katy, Texas	30,120,000	14.55	4,382,234
Katy Independent School District	2,030,341,460	2.18	44,353,079
Harris County, Texas	1,770,442,125	0.12	2,066,791
Harris County Department of Education	20,185,000	0.12	23,560
Harris County Flood Control District	797,615,000	0.12	950,502
Harris County Hospital District	79,970,000	0.12	95,282
Port of Houston Authority	445,749,397	0.12	531,225
Total Estimated Overlapping Debt			$ 57,663,532
Direct Debt (a)			$ 92,815,000
Total Direct and Estimated Overlapping Debt (a)			$150,478,532

(a) Includes the Bonds and the Outstanding Bonds.

Debt Ratios

	Percentage of 2022 Certified Taxable Assessed Valuation	Percentage of Estimated Taxable Assessed Valuation as of February 1, 2023
Direct Debt (a)	13.65%	10.25%
Total Direct and Estimated Overlapping Debt (a)	22.12%	16.61%

(a) Includes the Bonds and the Outstanding Bonds.

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

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

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

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's principal taxpayers in 2022 owned property located within the District the aggregate assessed valuation of which comprised approximately 6.18% of the District's total 2022 Certified Taxable Assessed Valuation. Katy 850 LLC, the Developer, owns approximately 0.46% of the District's 2022 total taxable value. In the event that the Developer or any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its interest and sinking fund. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2022 Certified Taxable Assessed Valuation of property located within the District is $680,186,186, and the Estimated Taxable Assessed Valuation as of February 1, 2023, is $905,941,428*. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be $5,936,316 (2041) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be $5,166,807 (2023–2048). Assuming no increase to nor decrease from the 2022 Certified Taxable Assessed Valuation, tax rates of $0.92 and $0.80 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no increase to nor decrease from the Estimated Taxable Assessed Valuation as of February 1, 2023, tax rates of $0.69 and $0.61 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

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*Such amount includes $134,328, which is the 2022 certified value for the Harris County portion in the District.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. For the 2022 tax year, the District has levied a total tax rate of $0.93 per $100 assessed valuation as follows: a tax of $0.10 per $100 of assessed valuation for maintenance and operations and a combined tax of $0.83 per $100 of assessed valuation for payment of debt service.

Competitive Nature of Residential Housing Market

The housing industry in the Houston, Texas 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 homebuilder(s) which might attempt future home building or development projects in the District, the sale of developed lots or in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Tax Collection Limitations

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

Registered Owners' Remedies and Bankruptcy

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

Marketability

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

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. The rights and remedies of the Registered Owners could be adjusted in accordance with the confirmed plan of adjustment of the District's debt.

Future Debt

The District reserves in the Bond Resolution the right to issue the remaining: $86,165,000 unlimited tax bonds authorized but unissued for the Road System and for the refunding of such bonds; $299,295,000 unlimited tax bonds authorized but unissued for the Utility System and for the refunding of such bonds; $32,500,000 unlimited tax bonds authorized but unissued for park facilities and for the refunding of such bonds; and such additional bonds as may hereafter be approved by the voters of the District. See "THE BONDS – Issuance of Additional Debt." The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution been authorized by the voters of the District, may be issued by the District from time to time as needed. Issuance of the $299,295,000 remaining unlimited tax bonds for the Utility System, as well as the $32,500,000 remaining unlimited tax bonds for park facilities, is subject to approval by the TCEQ. Further, the principal amount of unlimited tax bonds for park facilities sold by the District is limited to one percent of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in 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.

As of March 1, 2023, the District owes the Developer approximately $37,114,000 for expenditures to construct the Utility System, Road System, and park and recreational facilities in the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS – Issuance of Additional Debt."

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone

Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

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

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

The HGB Area is currently designated as a "severe" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. 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 "moderate" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

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

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

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

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

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

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

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of "waters of the United States." On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice Proposed Rulemaking to put back into place the pre-2015 definition of "waters of the United States." The rule was published in the *Federal Register* on January 18, 2023, and became effective on March 20, 2023. The adoption of the new rule is currently the subject of ongoing litigation, including a suit filed in the United States District Court for the Southern District of Texas. Due to this existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Infectious Disease Outbreak – COVID-19

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to 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.

Potential Effects of Oil Price Fluctuations on the Houston Area

The recent fluctuations 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, Texas 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, Texas 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.

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.

National Weather Service Atlas 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.

Potential Impact of Natural Disaster

The District is located approximately 75 miles from the Texas Gulf Coast and, as it has in the past, could be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value in the District or an increase in the District's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District are adversely affected.

Effects of Hurricane Harvey

The Texas Gulf Coast area sustained widespread damage as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 75 miles from the Texas Gulf Coast and was affected by Hurricane Harvey. As a result of the damages caused by Hurricane Harvey, a number of Texas counties, including Harris and Waller Counties, were declared disaster areas by the Governor of the State of Texas.

While none of the District's facilities sustained any significant damage as a result of Hurricane Harvey, approximately ten homes in the District sustained flood damage as a result of rainfall associated with Hurricane Harvey. When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property. The District did not request a reappraisal due to damages caused by Hurricane Harvey.

The District cannot predict what impact Hurricane Harvey will ultimately have on the assessed value of land and improvements within the District, including the properties that sustained flood damage. In addition to any possible decrease in assessed valuations in the District, Hurricane Harvey may have a short-term impact on the Gulf Coast's economy and could have a long term impact of business activity and development in the District and the region.

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

Changes in Tax Legislation

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

2023 Legislative Session

The 88th Texas Legislature commenced on January 10, 2023. The Legislature meets in regular session in odd-numbered years, for 140 days. When the Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During a special session, the Legislature may enact laws that materially change current law as it relates to the District.

During the 88th Texas Legislative Session, the Legislature may consider legislation affecting ad valorem taxation procedures. The District can make no representations or predictions regarding the scope of legislation that may be considered during the 88th Legislative Session or the potential impact of such legislation at this time.

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 District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the bond insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

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

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its 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 "MUNICIPAL BOND INSURANCE."

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 have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the 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 "RATINGS" herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

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 (see "INVESTMENT CONSIDERATIONS – Future Debt"), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. See "TAX DATA – Maintenance Tax."

Property Tax Code and County-Wide Appraisal District

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

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 has not granted such exemption. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred 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.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Property Code authorizes the governing body of each political subdivision in the State 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 before July 1. The District has never adopted a homestead exemption. See "TAX DATA."

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Harris County, Texas or Waller County, Texas may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, Texas, Waller County, Texas and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, neither Harris County, Texas nor Waller County, Texas has designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal 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 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% physically 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 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 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 designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, 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.

Additionally, the Property Code authorizes a taxing jurisdiction such as the District, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

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 Property Code.

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

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: For the 2022 tax year, the District made the determination of its status as a Developing District. 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 years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (see "TAXING PROCEDURES"). The Board has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). For the 2022 tax year, the District has levied a total tax rate of $0.93 per $100 assessed valuation as follows: a tax of $0.10 per $100 of assessed valuation for maintenance and operations and a combined tax of $0.83 per $100 of assessed valuation for payment of debt service.

Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road System Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	$1.50 per $100 Assessed Taxable Valuation.
Maintenance (Roads):	$0.25 per $100 Assessed Taxable Valuation.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed $1.50 per $100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. The District has levied a maintenance tax every year since the 2014 tax year. The Board is authorized by the District's voters to levy a maintenance tax for road improvements in an amount not to exceed $0.25 per $100 of assessed valuation. The District has not levied a maintenance tax for recreational facilities. See "– Tax Rate Distribution" below.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than June 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed taxable valuation which would be required to meet certain debt service requirements of the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2022 Certified Taxable Assessed Valuation ($680,186,186) or the Estimated Taxable Assessed Valuation as of February 1, 2023 ($905,941,428*). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2023–2048)	$ 5,166,807
Combined Debt Service Tax Rate of $0.80 on the 2022 Certified Taxable Assessed Valuation	$ 5,169,415
Combined Debt Service Tax Rate of $0.61 on the Estimated Taxable Assessed Valuation as of February 1, 2023	$ 5,249,931
Maximum Annual Debt Service Requirement (2041)	$ 5,936,316
Combined Debt Service Tax Rate of $0.92 on the 2022 Certified Taxable Assessed Valuation	$ 5,944,827
Combined Debt Service Tax Rate of $0.69 on the Estimated Taxable Assessed Valuation as of February 1, 2023	$ 5,938,446

Estimated Overlapping Taxes

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

Set forth below is an estimation of all taxes per $100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2022 taxes per $100 of assessed valuation levied by all such taxing jurisdictions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

Taxing Jurisdiction	2022 Tax Rate
The District	$0.930000
Waller County, Texas (a)	0.548445
Brookshire-Katy Drainage District	0.065430
Katy Independent School District	1.351700
City of Katy, Texas	0.440000
Total Tax Rate	$3.335575

(a) Includes $0.025852 for Waller County FM; District is situated primarily within Waller County, Texas, although a portion of the District's lands, approximately 31.06 acres of undeveloped property owned by the Developer, is within Harris County, Texas, and is subject to a tax levied by each of the following jurisdictions: Harris County, Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and Port of Houston Authority. For the 2022 tax year, said jurisdictions levied taxes in the cumulative amount of $0.535480 per $100 of assessed valuation.

*Such amount includes $134,328, which is the 2022 certified value for the Harris County portion in the District.

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections as of 02/28/2023
2017	$ 135,854,834	$ 0.93	$1,263,450	99.99%	2018	100.00%
2018	208,052,770	0.93	1,934,891	100.00	2019	100.00
2019	266,520,165	0.93	2,478,638	99.81	2020	100.00
2020	357,531,558	0.93	3,325,043	99.70	2021	99.99
2021	465,719,464	0.93	4,331,191	99.93	2022	99.99
2022	680,186,186	0.93	6,325,732	97.48 (b)	2023	97.48

(a) Tax rate per $100 of taxable value. See "Tax Rate Distribution" below.

(b) In the process of collections.

Tax Rate Distribution

	2022	2021	2020	2019	2018
Utility System Debt Service	$0.5300	$0.5300	$0.5200	$0.4500	$0.3800
Road System Debt Service	0.3000	0.2100	0.2600	0.2900	0.3400
Maintenance and Operations	0.1000	0.1900	0.1500	0.1900	0.2100
	$0.9300	$0.9300	$0.9300	$0.9300	$0.9300

Assessed Taxable Valuation Summary

The following represents the types of property comprising the District assessed taxable value for each of the 2018–2022 tax years.

Type of Property	2022 Assessed Taxable Valuation	2021 Assessed Taxable Valuation	2020 Assessed Taxable Valuation	2019 Assessed Taxable Valuation	2018 Assessed Taxable Valuation
Land	$ 159,459,171	$ 124,233,834	$ 104,083,087	$ 87,090,487	$ 88,320,271
Improvements	637,388,415	350,816,352	265,461,027	189,141,791	127,508,743
Personal Property	10,409,391	9,874,540	2,662,376	1,708,563	1,154,582
Exemptions	(127,070,791)	(19,205,262)	(14,674,932)	(11,420,676)	(8,930,826)
Total	$ 680,186,186	$ 465,719,464	$ 357,531,558	$ 266,520,165	$ 208,052,770

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2022 tax year.

Taxpayer	Type of Property	Assessed Valuation 2022 Tax Roll	Percent of 2022 Tax Roll
Perry Homes LLC	Land & Improvements	$ 7,991,644	1.17%
Highland Homes Houston LLC	Land & Improvements	7,524,417	1.11%
Gelco Fleet Trust	Land & Improvements	7,079,580	1.04%
Shea Homes Houston LLC	Land & Improvements	4,097,340	0.60%
Chesmar Homes LLC	Land & Improvements	3,750,000	0.55%
McGuyer Land Holdings LLC	Land & Improvements	3,140,000	0.46%
Katy 850 LLC (a)	Land & Improvements	3,132,616	0.46%
William David Companies Inc.	Land & Improvements	1,851,400	0.27%
DFH Coventry LLC	Land & Improvements	1,758,000	0.26%
Weekley Homes	Land & Improvements	1,696,875	0.25%
Total		$ 42,021,872	6.18%

(a) See "PRINCIPAL LANDOWNERS/DEVELOPER."

THE UTILITY SYSTEM

Regulation

According to the Engineer, the District's water distribution, wastewater collection and drainage facilities 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, and the Brookshire-Katy Drainage District. According to the Engineer, the design of all such facilities has been approved by all required governmental agencies.

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

Source of Water Supply and Wastewater Treatment

Water supply and wastewater treatment capacity is provided by the City. All water and wastewater treatment facilities are owned and maintained by the City as stipulated by the Utility Agreement between the City and the District. Residents in the District pay the City for water service and wastewater treatment in accordance with the City's water and sewer rate order. See "UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF KATY."

Storm Drainage

The District is located within the Cane Island Branch and Snake Creek watersheds. The District contains storm water detention basins that are designed in accordance with the Brookshire-Katy Drainage District and the City's standards. The basin systems have two separate outfall locations that discharge into Cane Island Branch and Snake Creek.

THE ROAD SYSTEM

The District's road system has been and will be funded with proceeds of the Outstanding Road System Bonds. See "INVESTMENT CONSIDERATIONS – Future Debt" and "THE BONDS – Issuance of Additional Debt." Construction of the District's roads is subject to certain regulations by the City and Waller County, Texas. To date, construction of the road system in the District includes, but is not limited to, the following: a portion of Cane Island Parkway, a portion of Pitts Road, an extension of Franz Road, Innovation Drive and the internal road systems that serve Cane Island, Sections 1-45.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal tax purposes 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.

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

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

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, 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 (as defined in section 59(k) of the Code) for the purpose of determining the alternative minimum tax imposed on corporations.

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

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

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

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

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The

Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

NOT Qualified Tax-Exempt Obligations

The Bonds have not been designated as "qualified tax-exempt obligations" for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe these agreements 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, as well as timely notice of specified events, to the Municipal Securities Rulemaking Board or any successor to its function as a repository (the "MSRB"), through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement included under the headings "DISTRICT DEBT" (except for the subheading "– Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and in "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2023. The District will provide the updated information to the MSRB.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report becomes available. The District's current fiscal year end is March 31. Accordingly, it must provide updated information by the last day in September in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

OFFICIAL STATEMENT

General

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

Experts

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

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

Certification as to Official Statement

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

Updating of Official Statement

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

CONCLUDING STATEMENT

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

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

/s/ Lonnie Lee
President, Board of Directors
Harris-Waller Counties Municipal Utility District No. 3

ATTEST:

/s/ Jennifer White
Secretary, Board of Directors
Harris-Waller Counties Municipal Utility District No. 3

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

HARRIS - WALLER COUNTIES
MUNICIPAL UTILITY DISTRICT NO. 3

HARRIS AND WALLER COUNTIES, TEXAS

FINANCIAL REPORT

March 31, 2022

Table of Contents

McGRATH & CO., PLLC
Certified Public Accountants
2900 North Loop West, Suite 880
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Harris - Waller Counties Municipal Utility District No. 3
Harris and Waller Counties, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris - Waller Counties Municipal Utility District No. 3 (the "District"), as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 Harris - Waller Counties Municipal Utility District No. 3, as of March 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

McGrath & Co, PLLC

Houston, Texas
August 15, 2022

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Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of Harris - Waller Counties Municipal Utility District No. 3 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended March 31, 2022. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

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

Financial Analysis of the District as a Whole

The District's net position at March 31, 2022, was negative $69,088,958. The District's net position is negative because the District incurs debt to construct water, sewer, certain drainage and road facilities which are accepted by the City of Katy after completion of construction and acceptance of such facilities by the District. A comparative summary of the District's overall financial position, as of March 31, 2022 and 2021, is as follows:

	2022	2021
Current and other assets	$ 6,404,426	$ 5,440,173
Capital assets	32,221,169	25,725,234
Total assets	38,625,595	31,165,407
Current liabilities	1,605,656	6,873,149
Long-term liabilities	106,108,897	71,712,127
Total liabilities	107,714,553	78,585,276
Net position		
Net investment in capital assets	(7,165,721)	(6,457,897)
Restricted	4,182,905	3,315,637
Unrestricted	(66,106,142)	(44,277,609)
Total net position	$ (69,088,958)	$ (47,419,869)

The total net position of the District decreased during the current fiscal year by $21,669,089 A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2022	2021
Revenues		
Property taxes, penalties and interest	$ 4,370,414	$ 3,338,776
Other	2,963	6,989
Total revenues	4,373,377	3,345,765
Expenses		
Operating and administrative	604,580	594,723
Debt interest and fees	1,475,845	1,254,993
Developer interest	958,603	677,730
Debt issuance costs	1,030,151	934,708
Depreciation and amortization	703,212	648,404
Total expenses	4,772,391	4,110,558
Change in net position before other item	(399,014)	(764,793)
Other item		
Transfers to other governments	(21,270,075)	(5,184,240)
Change in net position	(21,669,089)	(5,949,033)
Net position, beginning of year	(47,419,869)	(41,470,836)
Net position, end of year	$ (69,088,958)	$ (47,419,869)

Financial Analysis of the District's Funds

The District's combined fund balances, as of March 31, 2022, were $6,241,879, which consists of $1,745,327 in the General Fund, $4,207,174 in the Debt Service Fund, and $289,378 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of March 31, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 1,788,848	$ 1,289,136
Total liabilities	$ 17,361	$ 37,065
Total deferred inflows	26,160	12,079
Total fund balance	1,745,327	1,239,992
Total liabilities, deferred inflows and fund balance	$ 1,788,848	$ 1,289,136

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

	2022	2021
Total revenues	$ 877,016	$ 538,826
Total expenditures	(371,681)	(366,020)
Revenues over expenditures	$ 505,335	$ 172,806

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, which is dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of March 31, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 4,326,200	$ 3,434,721
Total liabilities	$ 5,126	$ 7,216
Total deferred inflows	113,900	69,510
Total fund balance	4,207,174	3,357,995
Total liabilities, deferred inflows and fund balance	$ 4,326,200	$ 3,434,721

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

	2022	2021
Total revenues	$ 3,437,694	$ 2,776,909
Total expenditures	(2,588,515)	(2,048,563)
Revenues over expenditures	$ 849,179	$ 728,346

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of March 31, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 289,378	$ 716,316
Total fund balance	$ 289,378	$ 716,316

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

	2022	2021
Total revenues	$ 196	$ 1,288
Total expenditures	(7,635,134)	(15,614,028)
Revenues under expenditures	(7,634,938)	(15,612,740)
Other changes in fund balance	7,208,000	15,602,000
Net change in fund balance	$ (426,938)	$ (10,740)

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2021 Unlimited Tax Bonds and Series 2021 Unlimited Tax Road Bonds in the current year and the sale of its Series 2020 Bond Anticipation Note, Series 2020 Unlimited Tax Bonds, Series 2020 Unlimited Tax Road Bonds, and Series 2021 Bond Anticipation Note in the prior year.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $437,010 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at March 31, 2022 and 2021 are summarized as follows:

	2022	2021
Capital assets not being depreciated		
Land and improvements	$ 16,564,831	$ 11,693,662
Capital assets being depreciated/amortized		
Infrastructure	7,220,484	5,532,754
Landscaping improvements	9,517,582	9,517,582
Impact fees	2,612,904	1,972,656
	19,350,970	17,022,992
Less accumulated depreciation/amortization		
Infrastructure	(634,127)	(473,673)
Landscaping improvements	(2,855,274)	(2,379,395)
Impact fees	(205,231)	(138,352)
	(3,694,632)	(2,991,420)
Depreciable capital assets, net	15,656,338	14,031,572
Capital assets, net	$ 32,221,169	$ 25,725,234

Capital asset additions during the current year include the following:

- West detention and amenity basin Phase 1 (Pond P)
- North Regional detention Phase 4 and 5 (Ponds N and O)
- Cane Island detentions ponds Q, R and S
- Impact fees paid to the City of Katy

Additionally, the District and the City of Katy (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage and road facilities to serve the District and, when completed, to convey title to the facilities to the City. The City also assumes maintenance on certain public roads constructed within its boundaries. Detention facilities and certain other capital assets are retained by the District. For the year ended March 31, 2022, capital assets in the amount of $21,270,075 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 11.

Long-Term Debt and Related Liabilities

As of March 31, 2022, the District owes approximately $49,955,714 to its developer for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of $2,743,987 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At March 31, 2022 and 2021, the District had total bonded debt outstanding as shown below:

Series	2022	2021
2016 Road	$ 8,305,000	$ 8,590,000
2017	5,285,000	5,450,000
2017 Road	3,020,000	3,115,000
2018	7,950,000	8,190,000
2019	10,400,000	10,680,000
2020	6,350,000	6,350,000
2020 Road	3,600,000	3,600,000
2021	10,000,000	
2021 Road	2,860,000	
	$ 57,770,000	$ 45,975,000

During the current year, the District issued $10,000,000 in unlimited tax bonds for water, sewer, and drainage facilities and $2,860,000 in unlimited tax road bonds. At March 31, 2022, the District had $313,685,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; $32,500,000 for parks and recreational facilities and the refunding of such bonds; $108,265,000 for road improvements and the refunding of such bonds.

Next Year's Budget

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

	2022 Actual	2023 Budget
Total revenues	$ 877,016	$ 400,350
Total expenditures	(371,681)	(370,605)
Revenues over expenditures	505,335	29,745
Beginning fund balance	1,239,992	1,745,327
Ending fund balance	$ 1,745,327	$ 1,775,072

Property Taxes

The District's property tax base increased approximately $200,140,000 for the 2022 tax year from $466,332,137 to $666,471,762. This increase was primarily due to new construction in the District and increased property values.

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Basic Financial Statements

Harris - Waller Counties Municipal Utility District No. 3
Statement of Net Position and Governmental Funds Balance Sheet
March 31, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 51,752	$ 67,043	$ -	$ 118,795	$ -	$ 118,795
Investments	1,701,670	4,152,331	291,570	6,145,571		6,145,571
Taxes receivable	26,160	113,900		140,060		140,060
Internal balances	9,266	(7,074)	(2,192)			
Other receivables						
Capital assets not being depreciated					16,564,831	16,564,831
Capital assets, net					15,656,338	15,656,338
Total Assets	$ 1,788,848	$ 4,326,200	$ 289,378	$ 6,404,426	32,221,169	38,625,595
Liabilities						
Accounts payable	$ 17,017	$ -	$ -	$ 17,017		17,017
Other payables	344	5,126		5,470		5,470
Accrued interest payable					138,169	138,169
Due to developer					49,955,714	49,955,714
Long-term debt						
Due within one year					1,445,000	1,445,000
Due after one year					56,153,183	56,153,183
Total Liabilities	17,361	5,126		22,487	107,692,066	107,714,553
Deferred Inflows of Resources						
Deferred property taxes	26,160	113,900		140,060	(140,060)	
Fund Balances/Net Position						
Fund Balances						
Restricted		4,207,174	289,378	4,496,552	(4,496,552)	
Unassigned	1,745,327			1,745,327	(1,745,327)	
Total Fund Balances	1,745,327	4,207,174	289,378	6,241,879	(6,241,879)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,788,848	$ 4,326,200	$ 289,378	$ 6,404,426		
Net Position						
Net investment in capital assets					(7,165,721)	(7,165,721)
Restricted for debt service					4,182,905	4,182,905
Unrestricted					(66,106,142)	(66,106,142)
Total Net Position					$ (69,088,958)	$ (69,088,958)

See notes to basic financial statements.

Harris - Waller Counties Municipal Utility District No. 3
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 876,391	$ 3,421,474	$ -	$ 4,297,865	$ 53,317	$ 4,351,182
Penalties and interest		14,078		14,078	5,154	19,232
Miscellaneous		220		220		220
Investment earnings	625	1,922	196	2,743		2,743
Total Revenues	877,016	3,437,694	196	4,314,906	58,471	4,373,377
Expenditures/Expenses						
Operating and administrative						
Professional fees	158,013		126,379	284,392		284,392
Contracted services	11,145	93,232		104,377		104,377
Repairs and maintenance	178,072			178,072		178,072
Administrative	24,222	8,288		32,510		32,510
Other	229		5,000	5,229		5,229
Capital outlay			5,496,043	5,496,043	(5,496,043)	
Debt service						
Principal		1,065,000		1,065,000	(1,065,000)	
Interest and fees		1,421,995	18,958	1,440,953	34,892	1,475,845
Developer interest			958,603	958,603		958,603
Debt issuance costs			1,030,151	1,030,151		1,030,151
Depreciation and amortization					703,212	703,212
Total Expenditures/Expenses	371,681	2,588,515	7,635,134	10,595,330	(5,822,939)	4,772,391
Revenues Over (Under) Expenditures/Expenses	505,335	849,179	(7,634,938)	(6,280,424)	5,881,410	(399,014)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds			12,860,000	12,860,000	(12,860,000)	
Repayment of bond anticipation note			(5,652,000)	(5,652,000)	5,652,000	
Other Item						
Transfers to other governments					(21,270,075)	(21,270,075)
Net Change in Fund Balances	505,335	849,179	(426,938)	927,576	(927,576)	
Change in Net Position					(21,669,089)	(21,669,089)
Fund Balance/Net Position						
Beginning of the year	1,239,992	3,357,995	716,316	5,314,303	(52,734,172)	(47,419,869)
End of the year	$ 1,745,327	$ 4,207,174	$ 289,378	$ 6,241,879	$ (75,330,837)	$ (69,088,958)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

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

Creation

The District was organized, created and established pursuant to Senate Bill No. 608, Acts 2013, 83rd Legislature, Regular Session, later codified as Chapter 8431, Texas Special District Local Laws Code, dated June, 14, 2013, and operates in accordance with Section 52, Article III, and Section 59, Article XVI, of the Texas Constitution, and the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on October 23, 2013 and the first bonds were issued on September 28, 2016.

The District is responsible for providing water, sewer, drainage, recreational, and road facilities within the District. As further discussed in Note 11, the District transfers the water, sewer and certain drainage and road facilities to the City of Katy for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, drainage and parks and road facilities.

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

Measurement Focus and Basis of Accounting

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At March 31, 2022, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of $50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of storm drainage and landscaping improvements, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Landscaping improvements	20 years
Impact fees	45 years (max)

The District's detention facilities are considered improvements to land and are non-depreciable.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balances, governmental funds		$ 6,241,879
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 35,915,801	
Less accumulated depreciation/amortization	(3,694,632)	
Change due to capital assets		32,221,169
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(57,598,183)	
Interest payable on bonds	(138,169)	
Change due to long-term debt		(57,736,352)
Amounts due to the District's developer for construction costs are recorded as a liability in the *Statement of Net Position.*		(49,955,714)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		140,060
Total net position - governmental activities		$ (69,088,958)

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

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

Net change in fund balances - total governmental funds		$ 927,576
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and penalties and interest.		58,471
Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities,* the cost of capital assets is charged to expense over the estimated useful life of the asset.		
Capital outlays	$ 5,496,043	
Depreciation/amortization expense	(703,212)	
		4,792,831
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.		
Issuance of long term debt	(12,860,000)	
Repayment of bond anticipation note	5,652,000	
Principal payments	1,065,000	
Interest payable on bonds	(34,892)	
		(6,177,892)
The District conveys certain infrastructure to the City of Katy upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities,* these amounts are reported as transfers to other governments.		(21,270,075)
Change in net position of governmental activities		$ (21,669,089)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of March 31, 2022, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	$ 1,701,670		
	Debt Service	4,152,331		
	Capital Projects	291,570		
		$ 6,145,571	AAAm	29 days

Note 3 – Deposits and Investments (continued)

TexPool

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at March 31, 2022, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General	Debt Service	$ 7,074	Maintenance tax collections not remitted as of year end.
General	Capital Projects	2,192	Bond application and professional fees paid by the General Fund.

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended March 31, 2022, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 11,693,662	$ 4,871,169	$ 16,564,831
Capital assets being depreciated/amortized			
Infrastructure	5,532,754	1,687,730	7,220,484
Landscaping improvements	9,517,582		9,517,582
Impact fees	1,972,656	640,248	2,612,904
	17,022,992	2,327,978	19,350,970
Less accumulated depreciation/amortization			
Infrastructure	(473,673)	(160,454)	(634,127)
Landscaping improvements	(2,379,395)	(475,879)	(2,855,274)
Impact fees	(138,352)	(66,879)	(205,231)
	(2,991,420)	(703,212)	(3,694,632)
Subtotal depreciable capital assets, net	14,031,572	1,624,766	15,656,338
Capital assets, net	$ 25,725,234	$ 6,495,935	$ 32,221,169

Depreciation/amortization expense for the current year was $703,212.

Note 6 – Bond Anticipation Note

The District uses a bond anticipation note (BAN) to provide short-term financing for reimbursements to its developers. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of $5,652,000. This BAN was repaid on November 17, 2021 with proceeds from the issuance of the District's Series 2021 Unlimited Tax Bonds.

The effect of this transaction on the District's short-term obligations are as follows:

Beginning balance	$ 5,652,000
Amounts repaid	(5,652,000)
Ending balance	$ -

Note 7 – Due to Developers

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

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

Due to developer, beginning of year	$ 26,982,535
Developer reimbursements	(4,855,795)
Developer funded construction and adjustments	27,828,974
Due to developer, end of year	$ 49,955,714

In addition, the District will owe the developers approximately $2,743,987, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Cane Island, detention ponds T and U	$ 637,569	$ 369,750	$ 267,819
Cane Island, Innovation Drive Phase 3 - utilities & paving	1,258,386	1,198,882	59,504
Cane Island, Section 30 - utilities & pavings	848,032		848,032
	$ 2,743,987	$ 1,568,632	$ 1,175,355

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 57,770,000
Unamortized discounts	(171,817)
	$ 57,598,183
Due within one year	$ 1,445,000

Note 8 – Long-Term Debt (continued)

The District's bonds payable at March 31, 2022, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2016 Road	$ 8,305,000	$ 9,385,000	2.00% - 4.50%	September 1, 2018/2041	September 1, March 1	September 1, 2024
2017	5,285,000	5,765,000	2.00% - 4.50%	September 1, 2019/2042	September 1, March 1	September 1, 2025
2017 Road	3,020,000	3,290,000	2.125% - 4.625%	September 1, 2019/2042	September 1, March 1	September 1, 2025
2018	7,950,000	8,420,000	3.0% - 5.0%	September 1, 2020/2043	September 1, March 1	September 1, 2023
2019	10,400,000	10,680,000	2.0% - 4.0%	September 1, 2021/2045	September 1, March 1	September 1, 2024
2020	6,350,000	6,350,000	2.0% - 2.20%	September 1, 2022/2045	September 1, March 1	September 1, 2025
2020 Road	3,600,000	3,600,000	2.0% - 2.375%	September 1, 2022/2045	September 1, March 1	September 1, 2025
2021	10,000,000	10,000,000	2.25% - 4.75%	September 1, 2023/2046	September 1, March 1	September 1, 2027
2021 Road	2,860,000	2,860,000	2.0% - 3.0%	September 1, 2023/2046	September 1, March 1	September 1, 2027
	$ 57,770,000					

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

At March 31, 2022, the District had authorized but unissued bonds in the amount of $313,685,000 for water, sewer and drainage facilities and the refunding of such bonds; $32,500,000 for park and recreational facilities and the refunding of such bonds; and $108,265,000 for road improvements and the refunding of such bonds.

On November 17, 2021 the District issued its $10,000,000 Series 2021 Unlimited Tax Bonds at a net effective interest rate of 2.735601%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; and (2) to repay a $5,652,000 BAN issued in the previous fiscal year.

Note 8 – Long-Term Debt (continued)

On December 15, 2021, the District issued its $2,860,000 Series 2021 Unlimited Tax Road Bonds at a net effective interest rate of 2.661451%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

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

Bonds payable, beginning of year	$	45,975,000
Bonds issued		12,860,000
Bonds retired		(1,065,000)
Bonds payable, end of year	$	57,770,000

Note 8 – Long-Term Debt (continued)

As of March 31, 2022, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2023	$ 1,445,000	$ 1,633,726	$ 3,078,726
2024	1,920,000	1,575,899	3,495,899
2025	1,975,000	1,509,063	3,484,063
2026	2,035,000	1,446,899	3,481,899
2027	2,090,000	1,389,468	3,479,468
2028	2,130,000	1,331,162	3,461,162
2029	2,185,000	1,274,192	3,459,192
2030	2,235,000	1,218,400	3,453,400
2031	2,295,000	1,159,637	3,454,637
2032	2,350,000	1,098,550	3,448,550
2033	2,410,000	1,035,523	3,445,523
2034	2,475,000	968,126	3,443,126
2035	2,545,000	896,136	3,441,136
2036	2,615,000	821,015	3,436,015
2037	2,690,000	743,922	3,433,922
2038	2,770,000	664,362	3,434,362
2039	2,855,000	581,260	3,436,260
2040	2,940,000	495,011	3,435,011
2041	3,025,000	405,268	3,430,268
2042	3,115,000	312,327	3,427,327
2043	2,715,000	225,366	2,940,366
2044	2,585,000	148,731	2,733,731
2045	1,805,000	88,618	1,893,618
2046	1,855,000	41,414	1,896,414
2047	710,000	8,741	718,741
	$ 57,770,000	$ 21,072,813	$ 78,842,813

Note 9 – Property Taxes

On November 4, 2014, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. In addition, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing road maintenance limited to $0.25 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Note 9 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2022 fiscal year was financed through the 2021 tax levy, pursuant to which the District levied property taxes of $0.93 per $100 of assessed value, of which $0.19 was allocated to maintenance and operations, $0.21 was allocated to road debt service and $0.53 was allocated to water, sewer and drainage debt service. The resulting tax levy was $4,336,889 on the adjusted taxable value of $466,332,137.

Property taxes receivable, at March 31, 2022, consisted of the following:

Current year taxes receivable	$ 127,679
Prior years taxes receivable	465
	128,144
Penalty and interest receivable	11,916
Property taxes receivable	$ 140,060

Note 10 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Katy (the "City"), the District transfers all of its water, sewer, and certain drainage and road facilities to the City (see Note 11). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended March 31, 2022, the District reported transfers to other governments in the amount of $21,270,075 for projects completed and transferred to the City.

Note 11 – Utility Agreement with the City of Katy

On November 11, 2013, the developer, on behalf of the District, entered into a utility agreement with the City of Katy (the "City") for construction and extension of water distribution lines, sanitary sewer collection systems and public drainage facilities to serve the District. The City also assumes maintenance of public roads constructed within its boundaries. As the system is acquired or constructed, the District shall transfer the system to the City but will reserve a security interest in the system and provide service to all users in the District. The term of the agreement is forty-five years.

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

Note 11 – Utility Agreement with the City of Katy (continued)

The District shall pay a capital recovery fee to the City for each water connection and each sewer connection in the amount of $2,472 per combined connection. During the current year, the District paid $640,248 in impact fees to the City.

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 13 – Subsequent Event

On August 15, 2022, the District approved the sale of its Series 2022 Unlimited Tax Road Bonds in the amount of $13,180,000 at a net interest cost of 3.941258%. The sale is scheduled to close on September 15, 2022. Proceeds of the bonds will primarily be used to reimburse developers for amounts currently reported in "Due to developer."

Required Supplementary Information

Harris - Waller Counties Municipal Utility District No. 3
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	$ 400,000	$ 876,391	$ 476,391
Investment earnings	5,000	625	(4,375)
Total Revenues	405,000	877,016	472,016
Expenditures			
Operating and administrative			
Professional fees	148,100	158,013	(9,913)
Contracted services	11,400	11,145	255
Repairs and maintenance	150,000	178,072	(28,072)
Administrative	24,175	24,222	(47)
Other	3,000	229	2,771
Total Expenditures	336,675	371,681	(35,006)
Revenues Over Expenditures	68,325	505,335	437,010
Fund Balance			
Beginning of the year	1,239,992	1,239,992	
End of the year	$ 1,308,317	$ 1,745,327	$ 437,010

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Harris - Waller Counties Municipal Utility District No. 3
TSI-1. Services and Rates
March 31, 2022

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

- [ ] Retail Water
- [ ] Wholesale Water
- [ ] Solid Waste / Garbage
- [X] Drainage
- [ ] Retail Wastewater
- [ ] Wholesale Wastewater
- [ ] Flood Control
- [ ] Irrigation
- [ ] Parks / Recreation
- [ ] Fire Protection
- [X] Roads
- [ ] Security
- [ ] Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
- [ ] Other (Specify): ____________

2. Retail Service Providers

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

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

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

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

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"			x 1.0	
1"			x 2.5	
1.5"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water				
Total Wastewater			x 1.0	

See accompanying auditor's report.

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

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

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

Does the District have Debt Service standby fees? Yes [ ] No [X]

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

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

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

5. Location of District

Is the District located entirely within one county? Yes [ ] No [X]

County(ies) in which the District is located: Harris and Waller Counties

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

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

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

Entirely [ ] Partly [ ] Not at all [X]

ETJs in which the District is located: ______

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

If Yes, by whom? ______

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 3
TSI-2 General Fund Expenditures
For the Year Ended March 31, 2022

Professional fees	
Legal	$ 91,910
Audit	11,500
Engineering	54,603
	158,013
Contracted services	
Bookkeeping	11,145
Repairs and maintenance	178,072
Administrative	
Directors fees	11,250
Printing and office supplies	2,435
Insurance	4,595
Other	5,942
	24,222
Other	229
Total expenditures	$ 371,681

Reporting of Utility Services in Accordance with HB 3693:

	Usage	Cost
Electrical	N/A	N/A
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 3
TSI-3. Investments
March 31, 2022

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	$ 1,701,670
Debt Service			
TexPool	Variable	N/A	1,026,979
TexPool - Road	Variable	N/A	3,125,352
			4,152,331
Capital Projects			
TexPool	Variable	N/A	291,570
Total - All Funds			$ 6,145,571

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 3
TSI-4. Taxes Levied and Receivable
March 31, 2022

	Maintenance Taxes	Road Debt Service Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 12,079	$ 20,926	$ 41,822	$ 74,827
Adjustments to Prior Year Tax Levy	4,441	5,884	2,201	12,526
Adjusted Receivable	16,520	26,810	44,023	87,353
2021 Original Tax Levy	886,261	979,552	2,472,203	4,338,016
Adjustments	(230)	(255)	(642)	(1,127)
Adjusted Tax Levy	886,031	979,297	2,471,561	4,336,889
Total to be accounted for	902,551	1,006,107	2,515,584	4,424,242
Tax collections:				
Current year	859,946	950,467	2,398,797	4,209,210
Prior years	16,445	26,680	43,763	86,888
Total Collections	876,391	977,147	2,442,560	4,296,098
Taxes Receivable, End of Year	$ 26,160	$ 28,960	$ 73,024	$ 128,144
Taxes Receivable, By Years				
2021	$ 26,085	$ 28,830	$ 72,764	$ 127,679
2020	75	130	260	465
Taxes Receivable, End of Year	$ 26,160	$ 28,960	$ 73,024	$ 128,144

	2021	2020	2019	2018
Property Valuations:				
Land	$ 124,233,834	$ 104,083,087	$ 87,090,487	$ 88,320,271
Improvements	350,816,352	265,461,027	189,141,791	127,508,743
Personal Property	9,874,534	2,662,376	1,708,563	1,154,582
Exemptions	(18,592,583)	(14,674,932)	(11,309,886)	(8,930,826)
Total Property Valuations	$ 466,332,137	$ 357,531,558	$ 266,630,955	$ 208,052,770
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.19	$ 0.15	$ 0.19	$ 0.21
Road debt service tax rates	0.21	0.26	0.29	0.34
Debt service tax rates	0.53	0.52	0.45	0.38
Total Tax Rates per $100 Valuation	$ 0.93	$ 0.93	$ 0.93	$ 0.93
Adjusted Tax Levy:	$ 4,336,889	$ 3,325,043	$ 2,479,668	$ 1,934,891
Percentage of Taxes Collected to Taxes Levied ***	97.06%	99.99%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on November 4, 2014
** Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on November 4, 2014

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

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
Series 2016 Road--by Years
March 31, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	$ 295,000	$ 251,849	$ 546,849
2024	305,000	245,396	550,396
2025	315,000	238,419	553,419
2026	325,000	230,896	555,896
2027	335,000	222,809	557,809
2028	350,000	214,028	564,028
2029	360,000	204,034	564,034
2030	375,000	193,009	568,009
2031	385,000	181,609	566,609
2032	400,000	169,834	569,834
2033	415,000	157,401	572,401
2034	430,000	143,981	573,981
2035	445,000	129,763	574,763
2036	460,000	114,769	574,769
2037	475,000	98,991	573,991
2038	490,000	82,706	572,706
2039	510,000	65,830	575,830
2040	525,000	48,037	573,037
2041	545,000	29,312	574,312
2042	565,000	9,887	574,887
	$ 8,305,000	$ 3,032,560	$ 11,337,560

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
March 31, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	$ 170,000	$ 163,031	$ 333,031
2024	175,000	155,269	330,269
2025	185,000	147,169	332,169
2026	190,000	141,106	331,106
2027	195,000	137,134	332,134
2028	205,000	132,628	337,628
2029	210,000	127,569	337,569
2030	220,000	121,919	341,919
2031	230,000	115,444	345,444
2032	235,000	108,469	343,469
2033	245,000	101,269	346,269
2034	255,000	93,769	348,769
2035	265,000	85,969	350,969
2036	275,000	77,697	352,697
2037	285,000	68,947	353,947
2038	295,000	59,700	354,700
2039	305,000	49,950	354,950
2040	320,000	39,794	359,794
2041	330,000	29,025	359,025
2042	340,000	17,717	357,717
2043	355,000	5,991	360,991
	$ 5,285,000	$ 1,979,566	$ 7,264,566

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
Series 2017 Road --by Years
March 31, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	$ 95,000	$ 96,216	$ 191,216
2024	100,000	91,706	191,706
2025	105,000	86,966	191,966
2026	110,000	82,063	192,063
2027	115,000	78,366	193,366
2028	115,000	75,778	190,778
2029	120,000	72,913	192,913
2030	125,000	69,694	194,694
2031	130,000	66,025	196,025
2032	135,000	62,050	197,050
2033	140,000	57,925	197,925
2034	145,000	53,650	198,650
2035	150,000	49,225	199,225
2036	155,000	44,553	199,553
2037	165,000	39,553	204,553
2038	170,000	34,213	204,213
2039	175,000	28,606	203,606
2040	180,000	22,838	202,838
2041	190,000	16,706	206,706
2042	195,000	10,209	205,209
2043	205,000	3,459	208,459
	$ 3,020,000	$ 1,142,714	$ 4,162,714

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
Series 2018 --by Years
March 31, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	$ 250,000	$ 269,763	$ 519,763
2024	260,000	258,625	518,625
2025	270,000	249,375	519,375
2026	285,000	241,050	526,050
2027	290,000	232,425	522,425
2028	295,000	223,650	518,650
2029	310,000	214,575	524,575
2030	315,000	205,200	520,200
2031	325,000	195,397	520,397
2032	335,000	184,875	519,875
2033	345,000	173,825	518,825
2034	355,000	162,228	517,228
2035	370,000	149,763	519,763
2036	380,000	136,638	516,638
2037	395,000	123,075	518,075
2038	405,000	108,822	513,822
2039	420,000	93,869	513,869
2040	430,000	78,462	508,462
2041	450,000	62,512	512,512
2042	465,000	45,927	510,927
2043	480,000	28,500	508,500
2044	520,000	9,750	529,750
	$ 7,950,000	$ 3,448,306	$ 11,398,306

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
Series 2019 --by Years
March 31, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	$ 290,000	$ 290,463	$ 580,463
2024	305,000	278,563	583,563
2025	315,000	266,163	581,163
2026	320,000	256,663	576,663
2027	335,000	250,113	585,113
2028	340,000	243,363	583,363
2029	345,000	236,297	581,297
2030	355,000	228,638	583,638
2031	365,000	220,309	585,309
2032	380,000	211,225	591,225
2033	390,000	201,356	591,356
2034	400,000	190,988	590,988
2035	405,000	180,169	585,169
2036	420,000	168,825	588,825
2037	430,000	156,600	586,600
2038	450,000	143,400	593,400
2039	465,000	129,675	594,675
2040	480,000	115,500	595,500
2041	490,000	100,950	590,950
2042	510,000	85,950	595,950
2043	525,000	70,425	595,425
2044	885,000	49,275	934,275
2045	590,000	27,150	617,150
2046	610,000	9,150	619,150
	$ 10,400,000	$ 4,111,210	$ 14,511,210

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
Series 2020 --by Years
March 31, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	$ 240,000	$ 129,309	$ 369,309
2024	240,000	124,509	364,509
2025	245,000	119,659	364,659
2026	250,000	114,709	364,709
2027	250,000	109,709	359,709
2028	250,000	104,709	354,709
2029	250,000	99,709	349,709
2030	245,000	94,759	339,759
2031	245,000	89,859	334,859
2032	245,000	84,959	329,959
2033	245,000	80,059	325,059
2034	245,000	75,159	320,159
2035	250,000	70,209	320,209
2036	250,000	65,208	315,208
2037	255,000	60,158	315,158
2038	255,000	54,899	309,899
2039	255,000	49,480	304,480
2040	265,000	43,955	308,955
2041	265,000	38,225	303,225
2042	270,000	32,340	302,340
2043	320,000	25,850	345,850
2044	330,000	18,700	348,700
2045	340,000	11,330	351,330
2046	345,000	3,795	348,795
	$ 6,350,000	$ 1,701,257	$ 8,051,257

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
Series 2020 Road --by Years
March 31, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	$ 105,000	$ 76,757	$ 181,757
2024	105,000	74,656	179,656
2025	110,000	72,506	182,506
2026	115,000	70,256	185,256
2027	115,000	67,956	182,956
2028	120,000	65,606	185,606
2029	125,000	63,157	188,157
2030	130,000	60,606	190,606
2031	130,000	58,006	188,006
2032	135,000	55,357	190,357
2033	140,000	52,607	192,607
2034	145,000	49,757	194,757
2035	150,000	46,807	196,807
2036	155,000	43,756	198,756
2037	160,000	40,607	200,607
2038	165,000	37,150	202,150
2039	170,000	33,381	203,381
2040	170,000	29,450	199,450
2041	180,000	25,294	205,294
2042	185,000	20,959	205,959
2043	190,000	16,506	206,506
2044	195,000	11,934	206,934
2045	200,000	7,244	207,244
2046	205,000	2,434	207,434
	$ 3,600,000	$ 1,082,749	$ 4,682,749

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
Series 2021 --by Years
March 31, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	$ -	$ 281,388	$ 281,388
2024	310,000	274,025	584,025
2025	315,000	259,181	574,181
2026	325,000	243,981	568,981
2027	335,000	228,306	563,306
2028	340,000	212,275	552,275
2029	350,000	200,263	550,263
2030	360,000	192,275	552,275
2031	370,000	184,063	554,063
2032	375,000	175,681	550,681
2033	385,000	167,131	552,131
2034	395,000	156,875	551,875
2035	405,000	144,875	549,875
2036	415,000	132,575	547,575
2037	425,000	121,303	546,303
2038	435,000	111,091	546,091
2039	450,000	100,581	550,581
2040	460,000	89,775	549,775
2041	470,000	78,731	548,731
2042	480,000	67,450	547,450
2043	495,000	55,872	550,872
2044	505,000	43,997	548,997
2045	520,000	31,825	551,825
2046	535,000	19,297	554,297
2047	545,000	6,472	551,472
	$ 10,000,000	$ 3,579,288	$ 13,579,288

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
Series 2021 Road--by Years
March 31, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	$ -	$ 74,950	$ 74,950
2024	120,000	73,150	193,150
2025	115,000	69,625	184,625
2026	115,000	66,175	181,175
2027	120,000	62,650	182,650
2028	115,000	59,125	174,125
2029	115,000	55,675	170,675
2030	110,000	52,300	162,300
2031	115,000	48,925	163,925
2032	110,000	46,100	156,100
2033	105,000	43,950	148,950
2034	105,000	41,719	146,719
2035	105,000	39,356	144,356
2036	105,000	36,994	141,994
2037	100,000	34,688	134,688
2038	105,000	32,381	137,381
2039	105,000	29,888	134,888
2040	110,000	27,200	137,200
2041	105,000	24,513	129,513
2042	105,000	21,888	126,888
2043	145,000	18,763	163,763
2044	150,000	15,075	165,075
2045	155,000	11,069	166,069
2046	160,000	6,738	166,738
2047	165,000	2,269	167,269
	$ 2,860,000	$ 995,163	$ 3,855,163

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
March 31, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	$ 1,445,000	$ 1,633,726	$ 3,078,726
2024	1,920,000	1,575,899	3,495,899
2025	1,975,000	1,509,063	3,484,063
2026	2,035,000	1,446,899	3,481,899
2027	2,090,000	1,389,468	3,479,468
2028	2,130,000	1,331,162	3,461,162
2029	2,185,000	1,274,192	3,459,192
2030	2,235,000	1,218,400	3,453,400
2031	2,295,000	1,159,637	3,454,637
2032	2,350,000	1,098,550	3,448,550
2033	2,410,000	1,035,523	3,445,523
2034	2,475,000	968,126	3,443,126
2035	2,545,000	896,136	3,441,136
2036	2,615,000	821,015	3,436,015
2037	2,690,000	743,922	3,433,922
2038	2,770,000	664,362	3,434,362
2039	2,855,000	581,260	3,436,260
2040	2,940,000	495,011	3,435,011
2041	3,025,000	405,268	3,430,268
2042	3,115,000	312,327	3,427,327
2043	2,715,000	225,366	2,940,366
2044	2,585,000	148,731	2,733,731
2045	1,805,000	88,618	1,893,618
2046	1,855,000	41,414	1,896,414
2047	710,000	8,741	718,741
	$ 57,770,000	$ 21,072,813	$ 78,842,813

See accompanying auditor's report.

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Harris - Waller Counties Municipal Utility District No. 3
TSI-6. Change in Long-Term Bonded Debt
March 31, 2022

	Bond Issue			
	Series 2016 Road	Series 2017	Series 2017 Road	Series 2018
Interest rate	1.25% - 3.50%	2.00% - 4.50%	2.125% - 4.625%	3.0% - 5.0%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/18 - 9/1/41	3/1/19 - 9/1/42	9/1/19 - 9/1/42	9/1/20 - 9/1/43
Beginning bonds outstanding	$ 8,590,000	$ 5,450,000	$ 3,115,000	$ 8,190,000
Bonds issued				
Bonds retired	(285,000)	(165,000)	(95,000)	(240,000)
Ending bonds outstanding	$ 8,305,000	$ 5,285,000	$ 3,020,000	$ 7,950,000
Interest paid during fiscal year	$ 257,796	$ 170,569	$ 100,609	$ 281,700
Paying agent's name and city All Series	Amegy Bank, a division of ZB, N.A., Houston, Texas			

Bond Authority:	Water, Sewer, Drainage and Refunding Bonds	Parks, Recreational and Refunding Bonds	Road and Refunding Bonds
Amount Authorized by Voters	$ 354,900,000	$ 32,500,000	$ 127,400,000
Amount Issued	(41,215,000)		(19,135,000)
Remaining To Be Issued	$ 313,685,000	$ 32,500,000	$ 108,265,000

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

Debt Service Fund cash and investment balances as of March 31, 2022: $ 4,219,374

Average annual debt service payment (principal and interest) for remaining term of all debt: $ 3,153,713

See accompanying auditor's report.

Bond Issue					
Series 2019	Series 2020	Series 2020 Road	Series 2021	Series 2021 Road	Totals
2.0% - 4.0%	2.0% - 2.2%	2.0% - 2.375%	2.25% - 4.75%	2.0% - 3.0%	
9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	
9/1/21 - 9/1/45	9/1/22 - 9/1/45	9/1/22 - 9/1/45	9/1/23 - 9/1/46	9/1/23 - 9/1/46	
$ 10,680,000	$ 6,350,000	$ 3,600,000	$ -	$ -	$ 45,975,000
			10,000,000	2,860,000	12,860,000
(280,000)					(1,065,000)
$ 10,400,000	$ 6,350,000	$ 3,600,000	$ 10,000,000	$ 2,860,000	$ 57,770,000
$ 301,863	$ 131,709	$ 77,806	$ 93,796	$ 18,738	$ 1,434,586

Harris - Waller Counties Municipal Utility District No. 3
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2022	2021	2020	2019	2018
Revenues					
Property taxes	$ 876,391	$ 537,337	$ 483,467	$ 436,088	$ 604,028
Investment earnings	625	1,489	12,222	6,354	627
Total Revenues	877,016	538,826	495,689	442,442	604,655
Expenditures					
Professional fees	158,013	153,160	111,524	100,391	109,802
Contracted services	11,145	11,290	10,680	10,620	10,605
Repairs and maintenance	178,072	170,833	150,000	108,333	114,180
Administrative	24,222	18,820	15,492	14,894	16,704
Other	229	11,917	4,829	448	
Total Expenditures	371,681	366,020	292,525	234,686	251,291
Revenues Over Expenditures	$ 505,335	$ 172,806	$ 203,164	$ 207,756	$ 353,364

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
100%	100%	98%	99%	100%
*	*	2%	1%	*
100%	100%	100%	100%	100%
18%	28%	22%	23%	18%
1%	2%	2%	2%	2%
20%	32%	30%	24%	19%
3%	3%	3%	3%	3%
*	2%	1%	*	
42%	67%	58%	52%	42%
58%	33%	42%	48%	58%

Harris - Waller Counties Municipal Utility District No. 3
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2022	2021	2020	2019	2018
Revenues					
Property taxes	$ 3,421,474	$ 2,772,266	$ 2,004,974	$ 1,474,720	$ 711,753
Penalties and interest	14,078	431	6,363	7,892	19,738
Accrued interest on bonds sold					
Miscellaneous	220	160	390	250	426
Investment earnings	1,922	4,052	26,554	17,855	937
Total Revenues	3,437,694	2,776,909	2,038,281	1,500,717	732,854
Expenditures					
Tax collection services	101,520	81,193	91,554	71,868	68,193
Debt service					
Principal	1,065,000	755,000	505,000	255,000	
Interest and fees	1,421,995	1,212,370	924,575	698,055	330,928
Total Expenditures	2,588,515	2,048,563	1,521,129	1,024,923	399,121
Revenues Over Expenditures	$ 849,179	$ 728,346	$ 517,152	$ 475,794	$ 333,733

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
100%	100%	99%	98%	97%
*	*	*	1%	3%
*	*	*	*	*
*	*	1%	1%	*
100%	100%	100%	100%	100%
3%	3%	4%	5%	9%
31%	27%	25%	17%	
41%	44%	45%	47%	45%
75%	74%	74%	69%	54%
25%	26%	26%	31%	46%

Harris - Waller Counties Municipal Utility District No. 3
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended March 31, 2022

Complete District Mailing Address:	3200 Southwest Freeway, Suite 2600, Houston, TX 77027		
District Business Telephone Number:	(713) 860-6400		
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	December 21, 2020		
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.0600)		$	7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Lonnie Lee	05/20 - 05/24	$ 3,150	$ -	President
Justin Wagner	05/20 - 05/24	1,800	178	Vice President
Jennifer White	12/20 - 05/22	2,700	1,423	Secretary
John Hoag	05/18 - 05/22	1,500		Assistant Vice President
Valerie Davis	12/20 - 05/22	2,250	941	Assistant Secretary
Consultants		Amounts Paid		
Allen Boone Humphries Robinson LLP	10/13			Attorney
General legal fees		$ 112,987		
Bond counsel		338,287		
Fran Matuska, Inc.	11/13	12,790		Bookkeeper
Assessments of the Southwest, Inc.	10/13	31,813		Tax Collector
Waller County Appraisal District	Legislation	57,074		Property Valuation
Harris County Appraisal Distrct	Legislation			Property Valuation
Perdue Brandon Fielder Collins & Mott, LLP	03/14	4,345		Delinquent Tax Attorney
Edminster Hinshaw Russ & Associates, Inc.	11/13	164,038		Engineer
McGrath & Co., PLLC	03/15	30,925		Auditor
R.W. Baird & Co., Inc.	01/15	262,412		Financial Advisor

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

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)