

OFFICIAL STATEMENT DATED JULY 26, 2023

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND ORDER (HEREIN DEFINED), INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT INCLUDED IN COMPUTING THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2022. SEE “LEGAL MATTERS” AND “TAX MATTERS” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District has not designated the Bonds as “qualified tax-exempt obligations” for financial institutions.

NEW ISSUE – Book Entry Only

S&P Global Ratings (AGM Insured) “AA”

\$1,615,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
(A Political Subdivision of the State of Texas Located within Harris County)
UNLIMITED TAX ROAD BONDS
SERIES 2023

Dated: August 1, 2023

Interest accrues from: Date of Delivery

Due: September 1, as shown on inside cover

The \$1,615,000 Unlimited Tax Road Bonds, Series 2023 (the “Bonds”) are obligations solely of Harris County Municipal Utility District No. 575 (the “District”) and are not obligations of Harris County, Texas (the “County”); the City of Houston, Texas (the “City”); the State of Texas (the “State”); or any entity other than the District. Neither the full faith and credit nor the taxing power of the County; the City; the State; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

The Bonds are dated August 1, 2023 (the “Dated Date”), and will accrue interest from the date of delivery, which is expected to be on or about August 24, 2023 (the “Date of Delivery”), with interest payable on March 1, 2024, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), acting as securities depository for the Bonds until DTC resigns or is discharged. So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein defined) to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The District has designated BOKF, NA, Dallas, Texas, as the initial paying agent/registrar (the “Paying Agent/Registrar”) for the Bonds.

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

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



The Bonds constitute the first series of unlimited tax road bonds issued by the District for the purpose of acquiring or constructing road facilities to serve the District (the “Road System”). See “THE BONDS – Authority for Issuance.”

The Bonds, when issued, will constitute valid and binding obligations of the District payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “THE BONDS – Source of Payment.” Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled “RISK FACTORS,” before making an investment decision.

The Bonds will be offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel. The Delivery of the Bonds is expected through the facilities of DTC on or about August 24, 2023.

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

\$1,615,000 Unlimited Tax Road Bonds, Series 2023

\$285,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41430U (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41430U (b)
2025	\$ 30,000	6.250%	3.500%	BB2	2029	\$ 40,000	6.500%	3.350%	BF3
2026	30,000	6.500%	3.400%	BC0	***	***	***	***	***
2027	35,000	6.500%	3.350%	BD8	2049 (c)	115,000	4.250%	4.400%	CB1
2028	35,000	6.500%	3.350%	BE6					

\$1,330,000 Term Bonds

\$125,000 Term Bond Due September 1, 2032 (c)(d), Interest Rate: 6.500% (Price: \$119.008) (a), CUSIP No. 41430U BJ5 (b)
 \$150,000 Term Bond Due September 1, 2035 (c)(d), Interest Rate: 5.500% (Price: \$112.547) (a), CUSIP No. 41430U BM8 (b)
 \$180,000 Term Bond Due September 1, 2038 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 41430U BQ9 (b)
 \$135,000 Term Bond Due September 1, 2040 (c)(d), Interest Rate: 4.000% (Price: \$98.301) (a), CUSIP No. 41430U BS5 (b)
 \$155,000 Term Bond Due September 1, 2042 (c)(d), Interest Rate: 4.000% (Price: \$97.269) (a), CUSIP No. 41430U BU0 (b)
 \$175,000 Term Bond Due September 1, 2044 (c)(d), Interest Rate: 4.125% (Price: \$97.875) (a), CUSIP No. 41430U BW6 (b)
 \$195,000 Term Bond Due September 1, 2046 (c)(d), Interest Rate: 4.250% (Price: \$98.750) (a), CUSIP No. 41430U BY2 (b)
 \$215,000 Term Bond Due September 1, 2048 (c)(d), Interest Rate: 4.250% (Price: \$97.886) (a), CUSIP No. 41430U CA3 (b)

-
- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2031, 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 August 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption as provided under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, at 1980 Post Oak Blvd., Suite 1380, Houston, Texas 77056 for further information.

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

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 Official Statement for any purpose.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT	1	Registered Owners’ Remedies.....	14
SALE AND DISTRIBUTION OF THE BONDS	3	Bankruptcy Limitation to Registered Owners’	
Award of the Bonds.....	3	Rights.....	14
Prices and Marketability.....	3	Environmental Regulations.....	15
Securities Laws.....	3	Severe Weather; Potential Impact of Natural	
MUNICIPAL BOND INSURANCE	3	Disaster.....	17
Bond Insurance Policy.....	3	National Weather Service Atlas 14 Rainfall Study	18
Assured Guaranty Municipal Corp.	3	Specific Flood Type Risks	18
RATING.....	5	Marketability	18
OFFICIAL STATEMENT SUMMARY	6	Continuing Compliance with Certain Covenants ...	18
SELECTED FINANCIAL INFORMATION	10	Future Debt	19
INTRODUCTION	12	Approval of the Bonds.....	19
RISK FACTORS	12	Changes in Tax Legislation.....	19
General.....	12	2023 Legislative Session.....	19
Factors Affecting Taxable Values and Tax Payments		Potential Effects of Oil Price Fluctuations on the	
.....	12	Houston Area	19
Tax Collection Limitations	13	Bond Insurance Risk Factors	19

THE BONDS	20	Estimated Direct and Overlapping Debt Statement	41
General	20	Debt Ratios	41
Redemption Provisions	20	THE SYSTEM	41
Funds	22	General	41
Registration, Transfer and Exchange	23	Description of the Road System	42
Record Date for Interest Payment	23	Historical Operations of the System	43
Mutilated, Lost, Stolen or Destroyed Bonds	23	TAXING PROCEDURES	44
Replacement of Paying Agent/Registrar	23	Authority to Levy Taxes	44
Source of Payment	24	Property Tax Code and County-Wide Appraisal	
Outstanding Bonds	24	District	44
Payment Record	24	Property Subject to Taxation by the District	44
Authority for Issuance	24	Tax Abatement	45
Issuance of Additional Debt	24	Valuation of Property for Taxation	45
Registered Owners' Remedies	25	Tax Exemption for Property Damaged by Disaster	46
No Arbitrage	25	District and Taxpayer Remedies	46
Dissolution	25	Notice and Hearing Procedures	47
Consolidation	26	Rollback of Operation and Maintenance Tax Rate	47
Defeasance	26	Levy and Collection of Taxes	48
Legal Investment and Eligibility to Secure Public		Tax Payment Installments After Disaster	48
Funds in Texas	26	District's Rights in the Event of Tax Delinquencies	48
BOOK-ENTRY-ONLY SYSTEM	27	LEGAL MATTERS	49
USE AND DISTRIBUTION OF BOND PROCEEDS	29	Legal Proceedings	49
THE DISTRICT	30	No-Litigation Certificate	49
General	30	No Material Adverse Change	49
Description and Location	30	TAX MATTERS	50
Management of the District	30	Bond Counsel	50
THE DEVELOPER	31	Proposed Tax Legislation	51
The Role of a Developer	31	Tax Accounting Treatment of Original Issue	
The Developer	31	Discount	51
PRINCIPAL PROPERTY OWNER	32	Collateral Federal Income Tax Consequences	52
DEVELOPMENT WITHIN THE DISTRICT	32	CONTINUING DISCLOSURE OF INFORMATION	53
Current Status of Development	32	Annual Reports	53
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT	33	Event Notices	53
AERIAL PHOTOGRAPH OF THE DISTRICT	34	Availability of Information	54
AERIAL PHOTOGRAPH OF THE DISTRICT	35	Limitations and Amendments	54
TAX DATA	36	Compliance with Prior Undertakings	55
General	36	OFFICIAL STATEMENT	55
Tax Rate Limitation	36	Preparation	55
Debt Service Tax	36	Experts	55
Maintenance and Operations Tax	36	Certification as to Official Statement	55
Tax Exemption	36	Updating of Official Statement	55
Additional Penalties	36	CONCLUDING STATEMENT	56
Historical Tax Collections	37	APPENDIX A FINANCIAL STATEMENTS OF THE	
Tax Rate Distribution	37	DISTRICT	
Analysis of Tax Base	37	APPENDIX B FINANCIAL STATEMENTS OF THE	
Principal Taxpayers	37	DEVELOPER	
Tax Rate Calculations	38	APPENDIX C SPECIMEN MUNICIPAL BOND	
Estimated Overlapping Taxes	38	INSURANCE POLICY	
DISTRICT DEBT	39		
Debt Service Requirements	40		

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, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover page of this Official Statement at a price of 97.001136% of the par value thereof, which resulted in a net effective interest rate of 4.558312%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

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

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance

markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 13, 2023, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On October 21, 2022, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Capitalization of AGM

At March 31, 2023:

- The policyholders' surplus of AGM was approximately \$2,742 million.
- The contingency reserve of AGM was approximately \$874 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,092 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (filed by AGL with the SEC on March 1, 2023); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (filed by AGL with the SEC on May 10, 2023).

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

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

Miscellaneous Matters

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

RATING

The Bonds have received an insured rating of “AA” (stable outlook) from S&P solely in reliance upon the issuance and delivery of the Policy by AGM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols “AAA” (the highest rating) through “D” (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

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

[Remainder of this page intentionally left blank.]

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The IssuerHarris County Municipal Utility District No. 575 (the “District”), a political subdivision of the State of Texas, is located within Harris County, Texas. See “THE DISTRICT – General” and “THE DISTRICT – Description and Location.”

Description of the Bonds.....The \$1,615,000 Unlimited Tax Road Bonds, Series 2023 (the “Bonds”), are dated August 1, 2023, and mature on September 1 in the years and amounts set forth on the inside cover page hereof.

The Bonds are dated August 1, 2023 (the “Dated Date”), and will accrue interest from the date of delivery, which is expected to be on or about August 24, 2023 (the “Date of Delivery”), with interest payable on March 1, 2024, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one maturity. See “THE BONDS – General.”

Redemption Provisions.....Bonds maturing on or after September 1, 2031, are subject to redemption, in whole or from time to time in part, at the option of the District on August 1, 2030, and any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption Provisions – *Optional Redemption*.”

The Bonds maturing on September 1, 2025, through September 1, 2029, both inclusive, and September 1, 2049, are serial bonds. The Bonds maturing on September 1 in the years 2032, 2035, 2038, 2040, 2042, 2044, 2046, and 2048 are subject to them mandatory redemption provisions as set out herein under “THE BONDS – Redemption Provisions – *Mandatory Redemption*.”

Source of Payment.....Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District, without legal limitation as to rate or amount. **The Bonds are obligations solely of the District, and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any entity other than the District.** See “THE BONDS – Source of Payment.”

Authority for Issuance.....The Bonds constitute the first series of unlimited tax road bonds issued by the District for the purpose of acquiring or constructing road facilities to serve the District (the “Road System”). Voters in the District have authorized a total of \$40,000,000 principal amount of unlimited tax bonds for the purpose of acquiring a Road System; \$60,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the “Utility System”); and \$7,000,000 principal amount of unlimited tax bonds for the purpose

of acquiring or constructing a park and recreational system to serve the District (the “Park System”).

Following the issuance of the Bonds, \$38,385,000 principal amount of unlimited tax bonds for the Road System; \$48,930,000 principal amount of unlimited tax bonds for the Utility System and all of the voted bonds for the Park System will remain authorized and unissued.

The Bonds are issued pursuant to an order of the District’s Board of Directors authorizing the issuance of the Bonds (the “Bond Order”); an election held within the District on May 1, 2021; and Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended. See “THE BONDS – Authority for Issuance” and “THE BONDS – Issuance of Additional Debt.”

- Outstanding Bonds The Bonds are the second series of unlimited tax bonds issued by the District and the first series of unlimited tax road bonds issued for the Road System. The District has previously issued one series of unlimited tax bonds for the Utility System: \$11,070,000 Unlimited Tax Bonds, Series 2023, all of which remains outstanding (the “Outstanding Utility Bonds”).
- Use of Bond Proceeds..... A portion of the proceeds of the sale of the Bonds will be used to reimburse the Developer for its project expenditures, pay twelve (12) months of capitalized interest, developer interest, and other costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- NOT Qualified Tax-Exempt Obligations The District has not designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended.
- Municipal Bond Insurance Assured Guaranty Municipal Corp. (“AGM”). See “MUNICIPAL BOND INSURANCE.”
- Rating..... S&P Global Ratings (AGM Insured): “AA.” See “RATING.”
- Bond Counsel Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas.
- Disclosure Counsel Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
- Financial Advisor..... Robert W. Baird & Co. Incorporated, Houston, Texas.
- District Engineer..... Pape-Dawson Engineers, Houston, Texas.

THE DISTRICT

- The Issuer The District is a political subdivision of the State of Texas, created by an order of the TCEQ on February 4, 2021, and operates pursuant to Article XVI, Section 59 of the Constitution of the State of Texas, Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT – General.”
- Location and Description..... The District comprises approximately 212 acres and is located in Harris County approximately 11 miles southeast of downtown Houston at the intersection of the Sam Houston Tollway and Cottingham Road. The District’s northern boundary is Schurmier Road, the District’s western boundary is undeveloped property, the District’s eastern boundary is Cottingham Road and the District’s southern boundary is the Sam Houston Tollway. The District lies wholly within the city limits of the City and within the boundaries of Houston Independent School District (“Houston ISD”). See “THE DISTRICT – Description and Location.”
- The Developer..... The current developer in the District is IDV-BP South Belt, LLC (the “Developer”), a Delaware limited liability company whose general partner is a wholly owned subsidiary of Investment & Development Ventures, LLC (“IDV”). See “THE DEVELOPER.”
- Principal Property Owner In April 2022, IDV sold two industrial buildings to HS South Belt Central Investors LLC (“High Street”), which is owned and controlled by High Street Capital (“HSC”), totaling approximately 436,775 square feet. As of January 1, 2023, both buildings are fully developed and 100% leased. Tenants include Yokohama, Canature Water Group, Lonestar Overnight, Quincy Compressor and Goodman Manufacturing.
- HSC is a venture capital and private equity firm based out of Chicago, Illinois. They focus on the business services, digital/eCommerce, value-added distribution, supply chain, logistics, and niche manufacturing industries across the United States.
- High Street accounts for approximately 53.65% (\$40,609,660) of the 2022 Certified Assessed Valuation, making High Street the District’s largest taxpayer. High Street has no affiliation with the Developer.
- Development within the District..... As of June 28, 2023, the District consists of seven (7) completed industrial buildings, totaling 1,697,122 square feet. Phase I consisted of buildings 1, 2, and 3. Building 1 is owned by High Street and is 100% leased to Yokohama (91-month lease term). Building 2 is also owned by High Street and is 100% leased to Goodman Manufacturing (89-month lease term), Quincy Compressor (93-month lease term), Lonestar Overnight (60-month lease term) and Canature Water Group (63-month lease term). Building 3 is owned and occupied by Medart, Inc, a wholesale distributor of various types of engines.
- Phase II consisted of buildings 4, 6, 7, and 9, which are 86% pre-leased/pre-sold. Building 4 is owned by MDH and is 100% leased to Penske Logistics (97-month lease term). Building 6 is owned by the Developer and per Developer, there are multiple request for proposals (“RFPs”) being negotiated. Building 7 is under contract to sell to Meniscus Group, LLC with anticipated closing to occur in

August 2023. Building 9 is owned by Realty Income, a publicly traded company, and is 100% leased to Memorial Hermann Health Systems (252-month lease term).

Three (3) industrial buildings are currently planned for development, totaling 1,719,782 square feet, two (2) of which are currently in the design phase and will deliver as Phase III, the development of which is anticipated to commence in the third quarter of 2023 and deliver in the third quarter of 2024. As of June 28, 2023, the District contains approximately 91.56 undeveloped but developable acres and 29.51 undevelopable acres for detention.

RISK FACTORS

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD CAREFULLY REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "RISK FACTORS," BEFORE MAKING THEIR INVESTMENT DECISION.

[Remainder of this page intentionally left blank.]

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2022 Certified Assessed Valuation.....	\$ 75,700,379	(a)
2023 Preliminary Assessed Valuation.....	\$ 133,712,728	(b)
Estimate of Value as of May 15, 2023.....	\$ 175,691,002	(c)
Direct Debt:		
The Outstanding Bonds.....	\$ 11,070,000	
The Bonds	<u>\$ 1,615,000</u>	
Total.....	\$ 12,685,000	
Estimated Overlapping Debt.....	<u>\$ 2,127,842</u>	(d)
Total Direct and Estimated Overlapping Debt.....	\$ 14,812,842	(d)
Direct Debt Ratio:		
As a percentage of 2022 Certified Assessed Valuation.....	16.76	%
As a percentage of 2023 Preliminary Assessed Valuation	9.49	%
As a percentage of Estimate of Value as of May 15, 2023.....	7.22	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of 2022 Certified Assessed Valuation.....	19.57	%
As a percentage of 2023 Preliminary Assessed Valuation	11.08	%
As a percentage of Estimate of Value as of May 15, 2023.....	8.43	%
2022 Tax Rate:		
Utility System Debt Service	\$0.00	(e)
Road System Debt Service	\$0.00	(e)
Maintenance & Operation	<u>\$0.60</u>	
Total.....	\$0.60	(f)
Utility System Debt Service Fund (as of June 28, 2023)	\$ 670,273	(g)
Road System Debt Service Fund (as of delivery of the Bonds).....	\$ 75,681	(h)
General Operating Fund (as of June 28, 2023).....	\$ 503,617	
Capital Projects Fund (as of June 28, 2023)	\$ 29,776	
Average Annual Combined Debt Service Requirement (2023–2049).....	\$ 844,633	(i)
Maximum Annual Combined Debt Service Requirement (2046).....	\$ 910,625	(i)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Average Annual Debt Service Requirement (2023–2049) at 95% Tax Collections		
Based on 2022 Certified Assessed Valuation	\$1.18	
Based on 2023 Preliminary Assessed Valuation	\$0.67	
Based on Estimate of Value as of May 15, 2023.....	\$0.51	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Maximum Annual Debt Service Requirement (2046) at 95% Tax Collections		
Based on 2022 Certified Assessed Valuation	\$1.27	
Based on 2023 Preliminary Assessed Valuation	\$0.72	
Based on Estimate of Value as of May 15, 2023.....	\$0.55	

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2022, provided by the Harris Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as the preliminary value as of January 1, 2023. This value represents the preliminary determination of the taxable value in District as of January 1, 2023, provided by the Appraisal District. No taxes will be levied on this preliminary value, which is subject to protest by landowners. See "TAXING PRODECURES."
- (c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property in the District as of May 15, 2023, and includes an estimate of additional taxable value resulting from taxable improvements constructed from January 1, 2022, through May 15, 2023. No taxes will be levied on this estimated value. See "TAXING PROCEDURES" and "TAX DATA."
- (d) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."

- (e) The District has not levied a tax rate for the payment of debt service; however, the District anticipates levying such tax rate in 2023.
- (f) See "TAX DATA – Tax Rate Calculations."
- (g) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System, including the Bonds.
- (h) At the delivery of the Bonds, twelve (12) months of capitalized interest will be deposited into the Road System Debt Service Fund. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System.
- (i) Requirement of debt service on the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

**OFFICIAL STATEMENT
relating to**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
\$1,615,000
UNLIMITED TAX ROAD BONDS
SERIES 2023**

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 575 (the "District") of its \$1,615,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to an order of the District's Board of Directors authorizing the issuance of the Bonds (the "Bond Order"); an election held within the District on May 1, 2021; and Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended.

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056 or during the offering period from the District's Financial Advisor, Robert W. Baird & Co. Incorporated, Attn: Stephen M. Eustis, 4801 Woodway Drive, Suite 118-E, Houston, Texas 77056 upon payment of reasonable copying, mailing, and handling charges.

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of the City of Houston, Texas (the "City"); Harris County, Texas (the "County"); the State of Texas (the "State"); or any other political subdivision, will be secured by a continuing direct annual ad valorem property tax, without legal limitation as to rate or amount levied, on all taxable property located within the District. See "THE BONDS – Source of Payment." The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the industrial development in the Houston, Texas metropolitan area. New construction can be significantly affected by factors such as general economic activity, interest rates, credit availability, energy costs, construction costs, the level of unemployment and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. Such existing developments could represent additional competition for new development proposed to be constructed within the District.

Developer Under No Obligation to the District: The Developer (hereinafter defined) has informed the District of its current plans to continue to develop land in the District for industrial purposes. However, the Developer is

not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer (see "TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on its ability to pay taxes. See "THE DEVELOPER" and "DEVELOPMENT WITHIN THE DISTRICT."

Dependence on Principal Taxpayers and the Developer: The top principal taxpayers represent approximately 100.00% (\$75,700,214) of the 2022 Certified Assessed Valuation, which represents ownership as of January 1, 2022. The Developer represents \$23,627,204 or 31.21% of such value. If these or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service funds. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, 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 Assessed Valuation of property located within the District is \$75,700,379 (see "TAX DATA"), the 2023 Preliminary Assessed Valuation of property located within the District is \$133,712,728, and the Estimate of Value as of May 15, 2023, is \$175,691,002. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds will be \$910,625 (2046) and the average annual debt service requirements on the Bonds will be \$844,633 (2023–2049). Assuming no increase to, nor decrease from the 2022 Certified Assessed Valuation of \$75,700,379, tax rates of \$1.27 and \$1.18 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 2023 Preliminary Assessed Valuation of \$133,712,728, tax rates of \$0.72 and \$0.67 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 Estimate of Value as of May 15, 2023, of \$175,691,002, tax rates of \$0.55 and \$0.51 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively.

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

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

The District may not be placed into bankruptcy involuntarily.

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.

On October 7, 2022, the EPA published final notice reclassifying the HGB Area from “serious” to “severe” under the 2008 Ozone Standard, effective November 7, 2022. The “severe” nonattainment area classification 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

attainment deadline for the HGB Area under the 2008 Ozone Standard is July 20, 2027, with an attainment year of 2026.

On October 7, 2022, the EPA published final notice reclassifying the HGB Area from “marginal” to “moderate” under the 2015 Ozone Standard, effective November 7, 2022. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties. The attainment deadline for the HGB Area under the 2015 Ozone Standard is August 3, 2024, with an attainment year of 2023.

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. As a result of the HGB Area’s reclassification, the TCEQ must have submitted revisions of the SIP to the EPA no later than January 1, 2023, addressing the “moderate” nonattainment classification and must submit revisions by May 2024 addressing the “severe” nonattainment classification.

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

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

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

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

The District’s stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the “Current Permit”) issued to the Storm Water Management Joint Task Force consisting of the County, Harris County Flood Control District, the City, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ’s General Permit for Phase II (Small) Municipal

Separate Storm Sewer Systems (the “MS4 Permit”), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District’s inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

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

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.

Severe Weather; Potential Impact of Natural Disaster

The Texas Gulf Coast area, including Harris County, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The Texas Gulf Coast area has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015,

including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

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

National Weather Service Atlas 14 Rainfall Study

In 2018, the National Weather Service 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.

Specific Flood Type Risks

The District may be subject to the following 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.

Marketability

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

Continuing Compliance with Certain Covenants

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

Future Debt

Voters in the District have authorized a total of the following: \$40,000,000 principal amount of unlimited tax bonds for the purpose of constructing a road facility within the District (the “Road System”), \$60,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the “Utility System”); and \$7,000,000 principal amount of unlimited tax bonds for the construction of parks and recreational facilities to serve the District (the “Park System”).

Following the issuance of the Bonds, \$38,385,000 principal amount of unlimited tax bonds for the Road System, \$48,930,000 principal amount of unlimited tax bonds for the Utility System; and \$7,000,000 principal amount of unlimited tax bonds for the construction of the Park System will remain authorized but unissued.

The District also has the right to issue certain other additional bonds and other obligations, as described in the Bond Order. 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.

Following the issuance of the Bonds, the District will owe the Developer approximately \$4,500,000 for District projects for the Utility System, Road System and Park System. See “THE SYSTEM” and “DEVELOPMENT WITHIN THE DISTRICT.”

Approval of the Bonds

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

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, and concluded on May 29, 2023. The 88th Legislative 1st Special Session convened on May 29, 2023, and concluded on June 27, 2023. The 88th Legislative 2nd Special Session convened on June 27, 2023, and concluded on July 13, 2023. 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. The Legislature may enact laws that materially change current law as it relates to the District.

Potential Effects of Oil Price Fluctuations on the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

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" and "RATING."

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

Neither the Issuer or Initial Purchasers 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 "MUNICIPAL BOND INSURANCE" herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

THE BONDS

General

The Bonds are dated August 1, 2023 (the "Dated Date") , and will accrue interest from the date of delivery, which is expected to be on or about August 24, 2023 (the "Date of Delivery"), with interest payable on March 1, 2024, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denomination of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar").

Redemption Provisions

Optional Redemption

The Bonds maturing on and after September 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on August 1, 2030, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the registered owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

Mandatory Redemption

The Bonds maturing on September 1 in the years 2032, 2035, 2038, 2040, 2042, 2044, 2046, and 2048 (the "Term Bonds") are also subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity on September 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below at a redemption price of par plus accrued interest to the date of redemption:

\$125,000 Term Bonds Maturing on September 1, 2032

Mandatory Redemption Date	Principal Amount
September 1, 2030	\$ 40,000
September 1, 2031	\$ 40,000
September 1, 2032 (Maturity)	\$ 45,000

\$150,000 Term Bonds Maturing on September 1, 2035

Mandatory Redemption Date	Principal Amount
September 1, 2033	\$ 45,000
September 1, 2034	\$ 50,000
September 1, 2035 (Maturity)	\$ 55,000

\$180,000 Term Bonds Maturing on September 1, 2038

Mandatory Redemption Date	Principal Amount
September 1, 2036	\$ 55,000
September 1, 2037	\$ 60,000
September 1, 2038 (Maturity)	\$ 65,000

\$135,000 Term Bonds Maturing on September 1, 2040

Mandatory Redemption Date	Principal Amount
September 1, 2039	\$ 65,000
September 1, 2040 (Maturity)	\$ 70,000

\$155,000 Term Bonds Maturing on September 1, 2042

Mandatory Redemption Date	Principal Amount
September 1, 2041	\$ 75,000
September 1, 2042 (Maturity)	\$ 80,000

\$175,000 Term Bonds Maturing on September 1, 2044

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2043	\$ 85,000
September 1, 2044 (Maturity)	\$ 90,000

\$195,000 Term Bonds Maturing on September 1, 2046

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2045	\$ 95,000
September 1, 2046 (Maturity)	\$ 100,000

\$215,000 Term Bonds Maturing on September 1, 2048

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2047	\$ 105,000
September 1, 2048 (Maturity)	\$ 110,000

On or before forty-five (45) 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 above, (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 described in "Optional Redemption" and as provided in the Bond Order. The principal amount of the Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Funds

The Bond Order creates a fund for debt service on the Bonds (the "Road System Debt Service Fund"). Twelve (12) months of capitalized interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Road System Debt Service Fund. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional unlimited tax bonds issued by the District for the Road System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and any of the District's duly authorized additional bonds for the Road System payable in whole or part from taxes. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on the Outstanding Utility Bonds (defined below) or any other bonds that the District may hereafter issue for the Utility System. Similarly, amounts on deposit in the Utility System Debt Service Fund (defined below) may not be used to pay debt service on the District's bonds issued for the Road System, including the Bonds.

In connection with the Outstanding Utility Bonds, the District has established a fund for payment of debt service on the Outstanding Utility Bonds and any additional unlimited tax bonds that the District may hereafter issue for the Utility System (the "Utility System Debt Service Fund"). The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Utility Bonds and any additional unlimited tax bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Outstanding Utility Bonds and any of the District's other duly authorized bonds issued for the Utility System that are payable in whole or in part from taxes. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Utility Bonds and any additional bonds for the Utility System

payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on the Bonds, the Outstanding Road Bonds or any other bonds that the District may hereafter issue for the Road System. Similarly, amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued for the Utility System.

Registration, Transfer and Exchange

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

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each Interest Payment Date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing and legal fees in connection with any such replacement.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar by the District. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or

state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as paying agent for the Bonds.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any parity bonds hereinafter issued. The Bonds are obligations of the District and are not the obligations of the State of Texas, Harris County, Texas, the City, or any other political subdivision or any entity other than the District.

Outstanding Bonds

The Bonds are the second series of unlimited tax bonds issued by the District and the first series of unlimited road tax bonds issued for the Road System. The District has previously issued one series of unlimited tax bonds for the Utility System: \$11,070,000 Unlimited Tax Bonds, Series 2023, all of which remains outstanding (the "Outstanding Utility Bonds").

Payment Record

The Bonds constitute the second series of unlimited tax bonds issued by the District.

Authority for Issuance

At an election held by the District on May 15, 2021, voters in the District authorized a total of the following: \$40,000,000 principal amount of unlimited tax bonds for the purpose of constructing the Road System; \$60,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing Utility System and \$7,000,000 principal amount of unlimited tax bonds for the construction of the Park System.

Following the issuance of the Bonds, \$38,385,000 principal amount of unlimited tax bonds for the Road System; \$48,930,000 principal amount of unlimited tax bonds for the Utility System and \$7,000,000 principal amount of unlimited tax bonds for the Park System will remain authorized but unissued.

The Bonds are issued pursuant to the Bond Order; an election held within the District on May 1, 2021; and Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended.

Issuance of Additional Debt

Voters in the District have authorized the following: \$40,000,000 principal amount of unlimited tax bonds for the Road System; \$60,000,000 principal amount of unlimited tax bonds for the Utility System and \$7,000,000 principal amount of unlimited tax bonds for the Park System.

Following the issuance of the Bonds, \$38,385,000 principal amount of unlimited tax bonds for the Road System; \$48,930,000 principal amount of unlimited tax bonds for the Utility System and \$7,000,000 principal amount of unlimited tax bonds for the Park System will remain authorized but unissued.

The District also has the right to issue certain other additional bonds and other obligations, as described in the Bond Order. 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.

Following the issuance of the Bonds, the District will owe the Developer approximately \$4,500,000 for District projects for the Utility System, Road System and Park System. See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District's engineer, Pape-Dawson Engineers Inc., Houston, Texas (the "Engineer"), following the issuance of the bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing utility facilities, and to finance the remaining undeveloped land within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE SYSTEM," and "RISK FACTORS – Future Debt."

Registered Owners' Remedies

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

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

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.

Dissolution

Under existing Texas law, since the District lies wholly within the corporate limits of the City, the District may be dissolved by the City, without the District's consent, subject to compliance by the City with Chapter 43 of the Texas Local Government Code, as amended. The Utility Agreement (as herein defined) between the City and the District places certain restrictions on the City's right to dissolve the District. See "THE SYSTEM — Description of the Utility Agreement." If the District is dissolved, the City must assume the District's assets and obligations (including the Bonds) and abolish the District. Dissolution of the District by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes

no representation that the City will ever dissolve the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should dissolution occur.

Consolidation

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

Defeasance

The Bond Order provides that the District may discharge its obligations to the registered owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place 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.

BOOK-ENTRY-ONLY SYSTEM

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

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC 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 (the “SEC”), 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 securities. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a AA+ rating from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchase of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements

of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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 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 District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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 District or 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 District believes to be reliable, but District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

USE AND DISTRIBUTION OF BOND PROCEEDS

A portion of the proceeds of the sale of the Bonds will be used to reimburse the Developer for its project expenditures, pay twelve (12) months of capitalized interest, developer interest, and 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 and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District’s auditor.

<u>Construction Costs</u>	<u>District’s Share</u>
A. Developer Contribution Items	
1. Cottingham Street Improvements	\$ 375,000
2. Beltway 8 Right Turn Lane	589,500
3. CenterPoint Energy Pole Relocation	42,369
4. Traffic Signal Improvements (partial funding)	90,208
3. Engineering (Item 1)	
a) Cottingham Street Construction Phase Services	30,592
b) Cottingham Street Construction Material Testing	1,338
c) Beltway 8 Right Turn Lane	93,162
4. Contingency	<u>96,450</u>
Total Construction Costs (81.65% of BIR)	\$ 1,318,618
<u>Non-Construction Costs</u>	
A. Legal Fees	\$ 48,450
B. Fiscal Agent Fees	32,300
C. Interest Costs	
1. Capitalized Interest (12 Months)	75,681
2. Developer Interest (24 Months @ 5.75%)	17,413
D. Bond Discount	48,432
E. Bond Issuance Expenses	50,291
F. Bond Application Report Cost	5,000
H. Attorney General Fee	1,615
I. Contingency (a)	<u>17,200</u>
Total Non-Construction Costs	\$ 296,382
 TOTAL BOND ISSUE REQUIREMENT	 \$ 1,615,000

(a) Represents the difference between the estimated and actual amounts of Capitalized Interest and Bond Discount.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created by an order of the TCEQ on February 4, 2021, and operates pursuant to Article III, Section 52 of the Constitution of the State of Texas, Chapters 49 and 54 of the Texas Water Code, as amended.

The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District is also empowered to finance certain road improvements, and park and recreational facilities as long as they meet the County, Texas, and City criteria. The District may also provide solid waste collection and disposal service and operate, maintain and construct recreational facilities.

Description and Location

The District comprises approximately 212 acres and is located in Harris County approximately 11 miles southeast of downtown Houston at the intersection of the Sam Houston Tollway and Cottingham Road. The District's northern boundary is Schurmier Road, the District's western boundary is undeveloped property, the District's eastern boundary is Cottingham Road and the District's southern boundary is the Sam Houston Tollway. The District lies wholly within the city limits of the City and within the boundaries of Houston Independent School District ("Houston ISD").

Management of the District

- Board of Directors -

The District is governed by a board, consisting of five directors (the "Board"), which has control over and management and supervision of all affairs of the District. Directors serve staggered four-year terms, with elections held in May of each even numbered year. All of the directors own property in the District. The present members and officers of the Board listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Michael Wardroup	President	2024
James Mabrey	Vice President	2026
Anthony Vlahos	Secretary	2024
Marcus Pullicino	Assistant Secretary	2024
Mary Katherine Franklin	Assistant Secretary	2026

- Consultants -

Tax Assessor/Collector: The District's Tax Assessor/Collector is Utility Tax Service, LLC (the "Tax Assessor/Collector"). The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris County Appraisal District (the "Appraisal District") and bills and collects such levy.

Bookkeeper: The District contracts with Municipal Accounts & Consulting, LP as bookkeeper for the District.

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. A copy of the District's audit prepared by McCall Gibson Swedlund Barfoot, PLLC for the fiscal year ending July 31, 2022, is included as "APPENDIX A."

Engineer: The consulting engineer retained by the District in connection with the design and construction of the District's facilities is Pape-Dawson Engineers Inc.

General & Bond Counsel: The District has engaged Sanford Kuhl Hagan Kugle Parker Kahn 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 Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

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

Financial Advisor: Robert W. Baird & Co. Incorporated is engaged as financial advisor (the “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 employed by the District and has participated in the preparation of the Official Statement; however, 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 that has been supplied or provided by third-parties.

THE DEVELOPER

The Role of a Developer

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

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

The Developer

The Developer in the District is IDV-BP South Belt, LLC (the “Developer”), a Delaware limited liability company whose general partner is a wholly owned subsidiary of Investment & Development Ventures, LLC, which was established for the sole purpose of developing the land within the District.

Investment & Development Ventures, LLC (“IDV”) is a privately held real estate investment, development and management company based in Houston, Texas focused on developing institutional quality industrial projects. IDV has developed, leased, or sold over 34 million square feet of projects totaling in excess of \$1 billion in capitalization since its formation in 2013.

The IDV team has over 150 years of combined experience in the real estate and development business and has a proven platform with a track record of success. IDV’s current construction pipeline consists of 13.4 million square feet across seven different markets.

PRINCIPAL PROPERTY OWNER

High Street Capital

In April 2022, IDV sold two industrial buildings to HS South Belt Central Investors LLC (“High Street”), which is owned and controlled by High Street Capital (“HSC”), totaling approximately 436,775 square feet. As of January 1, 2023, both buildings are fully developed and 100% leased. Tenants include Yokohama, Canature Water Group, Lonestar Overnight, Quincy Compressor and Goodman Manufacturing.

HSC is a venture capital and private equity firm based out of Chicago, Illinois. They focus on the business services, digital/eCommerce, value-added distribution, supply chain, logistics, and niche manufacturing industries across the United States.

High Street accounts for approximately 53.65% (\$40,609,660) of the 2022 Certified Assessed Valuation, making High Street the District’s largest taxpayer. High Street has no affiliation with the Developer.

DEVELOPMENT WITHIN THE DISTRICT

Current Status of Development

As of June 28, 2023, the District consists of seven (7) completed industrial buildings, totaling 1,697,122 square feet. Phase I consisted of buildings 1, 2, and 3. Building 1 is owned by High Street and is 100% leased to Yokohama (91-month lease term). Building 2 is also owned by High Street and is 100% leased to Goodman Manufacturing (89-month lease term), Quincy Compressor (93-month lease term), Lonestar Overnight (60-month lease term) and Canature Water Group (63-month lease term). Building 3 is owned and occupied by Medart, Inc, a wholesale distributor of various types of engines.

Phase II consisted of buildings 4, 6, 7, and 9, which are 86% pre-leased/pre-sold. Building 4 is owned by MDH and is 100% leased to Penske Logistics (97-month lease term). Building 6 is owned by the Developer and per Developer, there are multiple request for proposals (“RFPs”) being negotiated. Building 7 is under contract to sell to Meniscus Group, LLC with anticipated closing to occur in August 2023. Building 9 is owned by Realty Income, a publicly traded company, and is 100% leased to Memorial Hermann Health Systems (252-month lease term).

Three (3) industrial buildings are currently planned for development, totaling 1,719,782 square feet, two (2) of which are currently in the design phase and will deliver as Phase III, the development of which is anticipated to commence in the third quarter of 2023 and deliver in the third quarter of 2024. As of June 28, 2023, the District contains approximately 91.56 undeveloped but developable acres and 29.51 undevelopable acres for detention.

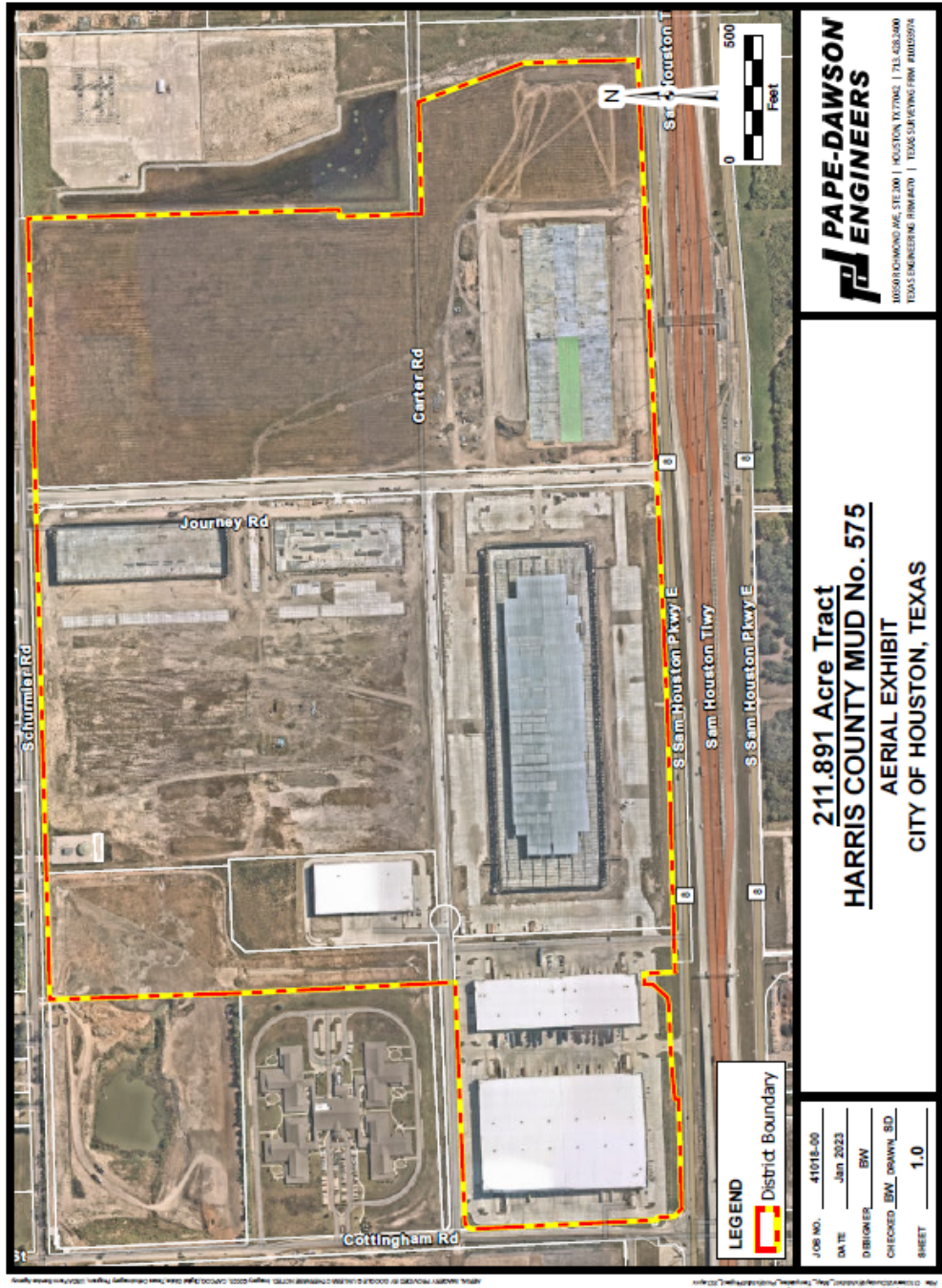
[Remainder of this page intentionally left blank.]

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(June 2023)



AERIAL PHOTOGRAPH OF THE DISTRICT
(February 2023)



AERIAL PHOTOGRAPH OF THE DISTRICT
(July 2023)



TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed \$1.50 per \$100 of assessed valuation for operation and maintenance purposes. The Board levied a 2022 tax rate of \$0.60 per \$100 of assessed valuation entirely for maintenance and operation purposes.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Utility System Maintenance and Operations:	\$1.50 per \$100 of Assessed Valuation.
Road System Maintenance and Operations:	\$1.50 per \$100 of Assessed Valuation.
Parks System:	
Maintenance and Operations:	\$0.10 per \$100 of Assessed Valuation.

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the debt service requirements on the Bonds. The District has not levied a tax rate for payment of debt service; however, the District anticipates levying such tax rate in 2023.

Maintenance and Operations Tax

The Board of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On May 1, 2021, the Board was authorized to levy such a maintenance and operations tax for the District's improvements in an amount not to exceed \$1.50 per \$100 assessed valuation and \$0.10 per \$100 of assessed valuations for parks and recreational facilities. The Board levied a 2022 tax rate of \$0.60 per \$100 of assessed valuation entirely for maintenance and operation purposes. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemption

As discussed in the section entitled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District has not granted a general homestead exemption, a residential homestead exemption to persons 65 years of age or older or to certain other disabled persons for tax year 2022. See "TAXING PROCEDURES – Property Subject to Taxation by the District."

Additional Penalties

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

Historical Tax Collections

The following table illustrates the collection history of the District for the 2021 and 2022 tax years:

Tax Year (a)	Assessed Valuation	Tax Rate	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 05/31/23
2021	\$39,112,710	\$0.600	\$ 234,676	100.00%	2022	100.00%
2022	75,700,379	0.600	454,202	100.00%	2023	100.00%

(a) No taxes were levied prior to 2021.

Tax Rate Distribution

	2022	2021
Utility System Debt Service (a)	\$0.00	\$0.00
Maintenance and Operations	<u>\$0.60</u>	<u>\$0.60</u>
Total	\$0.60	\$0.60

(a) The District has not levied a tax rate for payment of debt service; however, the District anticipates levying such tax rate in 2023.

Analysis of Tax Base

The following table illustrates the District's total assessed value in the tax years 2021 and 2022 by type of property.

Type of Property	2022 Taxable Assessed Valuation	2021 Taxable Assessed Valuation
Land	\$30,173,303	\$34,186,203
Improvements	43,477,840	6,365,204
Personal Property	10,944,995	81
Exemptions	<u>(8,895,759)</u>	<u>(1,438,778)</u>
Total	\$75,700,379	\$39,112,710

Principal Taxpayers

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

Taxpayer	Type of Property	Assessed Valuation 2022 Tax Roll	Percentage of Assessed Valuation 2022 Tax Roll
HS South Belt Central Investors LLC (a)	Land & Improvements	\$ 40,609,660	53.65%
Developer (b)	Land	23,627,204	31.21
Four M Limited LP	Land & Improvements	7,936,997	10.48
Medart Inc.	Land, Improvements & Personal Property	2,260,276	2.99
Alliance Tire Co	Personal Property	<u>1,266,077</u>	1.67
Total		<u>\$ 75,700,214</u>	
% of Respective Tax Roll			100.00 %

(a) See "PRINCIPAL PROPERTY OWNER."

(b) See "THE DEVELOPER."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2022 Certified Assessed Valuation (\$75,700,379), The 2023 Preliminary Assessed Valuation (\$133,712,728) and the Estimate of Value as of May 15, 2023 (\$175,691,002). The calculations assume collection of 95% of taxes levied and the sale of no additional bonds by the District except the Bonds:

Average Annual Debt Service Requirements (2023–2049).....	\$ 844,633
Tax Rate of \$1.18 on the 2022 Certified Assessed Valuation produces.....	\$ 848,601
Tax Rate of \$0.67 on the 2023 Preliminary Assessed Valuation produces.....	\$ 851,082
Tax Rate of \$0.51 on the Estimate of Value as of May 15, 2023 produces.....	\$ 851,223
Maximum Annual Debt Service Requirements (2046).....	\$ 910,625
Tax Rate of \$1.27 on the 2022 Certified Assessed Valuation produces.....	\$ 913,325
Tax Rate of \$0.72 on the 2023 Preliminary Assessed Valuation produces.....	\$ 914,595
Tax Rate of \$0.55 on the Estimate of Value as of May 15, 2023 produces.....	\$ 917,985

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 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 a compilation of all 2022 taxes levied by such jurisdictions per \$100 of assessed valuation. The table below does not include any future debt service tax rate that may be levied as a result of the issuance of the Bonds. See “TAX DATA – Debt Service Tax.” Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2022 Tax Rate Per \$100 of Assessed Value</u>
The District	\$0.600000
The City	0.533640
Houston ISD	1.037200
The County	0.343730
Harris County Flood Control	0.030550
Port of Houston Authority	0.007990
Harris County Hospital District	0.148310
Harris County Education Department	0.004900
Houston Community College	<u>0.095569</u>
 Total 2022 Tax Rate	 \$2.801889

DISTRICT DEBT

2022 Certified Assessed Valuation.....	\$ 75,700,379	(a)
2023 Preliminary Assessed Valuation.....	\$ 133,712,728	(b)
Estimate of Value as of May 15, 2023.....	\$ 175,691,002	(c)
Direct Debt:		
The Outstanding Bonds.....	\$ 11,070,000	
The Bonds	<u>\$ 1,615,000</u>	
Total.....	\$ 12,685,000	
Estimated Overlapping Debt.....	<u>\$ 2,127,842</u>	(d)
Total Direct and Estimated Overlapping Debt.....	\$ 14,812,842	(d)
Direct Debt Ratio:		
As a percentage of 2022 Certified Assessed Valuation.....	16.76	%
As a percentage of 2023 Preliminary Assessed Valuation	9.49	%
As a percentage of Estimate of Value as of May 15, 2023.....	7.22	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of 2022 Certified Assessed Valuation.....	19.57	%
As a percentage of 2023 Preliminary Assessed Valuation	11.08	%
As a percentage of Estimate of Value as of May 15, 2023.....	8.43	%
2022 Tax Rate:		
Utility System Debt Service	\$0.00	(e)
Road System Debt Service	\$0.00	(e)
Maintenance & Operation	<u>\$0.60</u>	
Total.....	\$0.60	(f)
Utility System Debt Service Fund (as of June 28, 2023)	\$ 670,273	(g)
Road System Debt Service Fund (as of delivery of the Bonds).....	\$ 75,681	(h)
General Operating Fund (as of June 28, 2023).....	\$ 503,617	
Capital Projects Fund (as of June 28, 2023)	\$ 29,776	
Average Annual Combined Debt Service Requirement (2023–2049).....	\$ 844,633	(i)
Maximum Annual Combined Debt Service Requirement (2046).....	\$ 910,625	(i)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2023–2049) at 95% Tax Collections		
Based on 2022 Certified Assessed Valuation	\$1.18	
Based on 2023 Preliminary Assessed Valuation	\$0.67	
Based on Estimate of Value as of May 15, 2023.....	\$0.51	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2046) at 95% Tax Collections		
Based on 2022 Certified Assessed Valuation	\$1.27	
Based on 2023 Preliminary Assessed Valuation	\$0.72	
Based on Estimate of Value as of May 15, 2023.....	\$0.55	

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2022, provided by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as the preliminary value as of January 1, 2023. This value represents the preliminary determination of the taxable value in District as of January 1, 2023, provided by the Appraisal District. No taxes will be levied on this preliminary value, which is subject to protest by landowners. See "TAXING PRODECURES."
- (c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property in the District as of May 15, 2023, and includes an estimate of additional taxable value resulting from taxable improvements constructed from January 1, 2022, through May 15, 2023. No taxes will be levied on this estimated value. See "TAXING PROCEDURES" and "TAX DATA."
- (d) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."

- (e) The District has not levied a tax rate for the payment of debt service; however, the District anticipates levying such tax rate in 2023.
- (f) See "TAX DATA - Tax Rate Calculations."
- (g) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System, including the Bonds.
- (h) At the delivery of the Bonds, twelve (12) months of capitalized interest will be deposited into the Road System Debt Service Fund. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System.

Debt Service Requirements

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

Calendar Year	Outstanding Debt Service	The Bonds		Total Combined Debt Service
		Principal	Interest	
2023	\$ 237,631	\$ -	\$ -	\$ 237,631
2024	789,131	-	77,153	866,284
2025	794,931	30,000	75,681	900,613
2026	790,231	30,000	73,806	894,038
2027	789,931	35,000	71,856	896,788
2028	783,731	35,000	69,581	888,313
2029	781,931	40,000	67,306	889,238
2030	782,181	40,000	64,706	886,888
2031	784,006	40,000	62,106	886,113
2032	790,194	45,000	59,506	894,700
2033	789,669	45,000	56,581	891,250
2034	793,469	50,000	54,106	897,575
2035	790,419	55,000	51,356	896,775
2036	791,656	55,000	48,331	894,988
2037	795,906	60,000	46,131	902,038
2038	793,906	65,000	43,731	902,638
2039	795,906	65,000	41,131	902,038
2040	791,656	70,000	38,531	900,188
2041	791,406	75,000	35,731	902,138
2042	794,906	80,000	32,731	907,638
2043	791,906	85,000	29,531	906,438
2044	791,925	90,000	26,025	907,950
2045	790,406	95,000	22,313	907,719
2046	792,350	100,000	18,275	910,625
2047	786,650	105,000	14,025	905,675
2048	789,375	110,000	9,563	908,938
2049	-	115,000	4,888	119,888
Total	\$19,995,412	\$1,615,000	\$1,194,684	\$ 22,805,096

Average Annual Combined Debt Service Requirement (2023–2049).....	\$844,633
Maximum Annual Combined Debt Service Requirement (2046).....	\$910,625

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 several sources, including information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service, and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

Taxing Jurisdiction	Outstanding Debt	Overlapping	
	05/31/2023	Percent	Amount
The County	\$ 1,770,442,125	0.01 %	\$ 240,931
Harris County Department of Education	13,865,000	0.01 %	1,887
Harris County Flood Control Department	797,615,000	0.01 %	110,886
Harris County Hospital District	70,970,000	0.01 %	9,865
Houston Community College	446,665,000	0.03 %	144,465
Houston Independent School District	2,084,245,000	0.04 %	747,885
The City	2,930,515,000	0.03 %	809,952
Port of Houston Authority	445,749,397	0.01 %	61,972
Total Estimated Overlapping Debt.....			\$ 2,127,842
The District (a).....			<u>\$12,685,000</u>
Total Direct & Estimated Overlapping Debt (a).....			<u>\$14,812,842</u>

(a) The Bonds.

Debt Ratios

Direct Debt Ratio:

As a percentage of 2022 Certified Assessed Valuation.....	16.76 %
As a percentage of 2023 Preliminary Assessed Valuation	9.49 %
As a percentage of Estimate of Value as of May 15, 2023.....	7.22 %

Direct and Estimated Overlapping Debt Ratio:

As a percentage of 2022 Certified Assessed Valuation.....	19.57 %
As a percentage of 2023 Preliminary Assessed Valuation	11.08 %
As a percentage of Estimate of Value as of May 15, 2023.....	8.43 %

THE SYSTEM

General

The Utility System, the purchase, acquisition and construction of which are being financed by the District with the proceeds of the Bonds, and the Road System, the construction of which will be financed by the District with proceeds of future bond sales, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including among others, the TCEQ. According to the Engineer, the design of all such facilities has been approved by all governmental agencies, which have jurisdiction over the District.

- Water Supply and Distribution -

The City serves the District and provides capacity to serve up to 444 equivalent single-family connections (“ESFCs”) within the District.

- Wastewater Treatment -

The City serves the District and provides capacity to serve up to 444 ESFCs of wastewater treatment to the District. The District pays the City \$1,989.66 per single family connection of which \$1,199.11 is for sewer as connection fees for permanent capacity in the wastewater treatment plant.

- Drainage -

The District drains through a storm sewer pipe and outfalls into Clear Creek, which is a Harris County Flood Control facility.

- Floodplain -

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

According to the FEMA Flood Insurance Rate Map No. 48201C1030M dated May 2, 2019, the map indicates that the District has approximately 66 acres inside of the 0.2% annual chance floodplain (500-year). The District lies wholly outside the 100-year floodplain.

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Description of the Road System

The roads within the District vary in width in accordance with standards adopted by the County but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District.

[Remainder of Page Intentionally Left Blank]

Historical Operations of the System

For the District's fiscal years ended 2021 and 2022 the summary below has been prepared by the Financial Advisor for inclusion herein based upon information obtained from the District's audited financial statements. The figures for the period ended 05/31/2023 are unaudited and were obtained from the June 28, 2023, Bookkeepers report. Reference is made to such statements for further and more complete information. See "APPENDIX A."

	2023 (a)	Fiscal Year Ended July 31,	
		2022	2021
REVENUES			
Property Taxes	\$ 445,000	\$ 234,676	\$ -
Investment earnings	<u>6,587</u>	<u>509</u>	<u>-</u>
TOTAL REVENUES	\$ 451,587	\$ 235,185	\$ -
EXPENDITURES:			
Current Service Operations			
Professional Fees	\$ 46,066	\$ 45,415	\$ 707
Contracted Services	32,181	18,012	2,253
Utilities	8,346	49	-
Repairs and Maintenance	3,420	2,696	-
Other	<u>15,869</u>	<u>17,372</u>	<u>5,125</u>
TOTAL EXPENDITURES	\$ 105,882	\$ 83,544	\$ 8,085
Revenues Over (Under) Expenditures	\$ 345,705	\$ 151,641	\$ (8,085)
Other Financing Sources			
Developer Advances	\$ -	\$ 20,000	\$ 5,000
Net Change in Fund Balance	\$ 345,705	\$ 171,641	\$ (3,085)
Beginning Fund Balance	\$ 168,556	\$ (3,085)	\$ -
Ending Fund Balance	\$ 514,261	\$ 168,556	\$ (3,085)

(a) Unaudited.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS – Source of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Appraisal District has the responsibility of appraising property for all taxing units within the County, including the District. Such appraisal values will be subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

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

some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

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

Tax Abatement

The County and/or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and/or the City 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. To date, the County and/or City has not designated any part 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 Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be

appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one (1) 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 (3) years, for agricultural use, open space land and timberland.

Tax Exemption for Property Damaged by Disaster

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. It is not known what frequency of reappraisal 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 formally to include such values on its appraisal roll.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, 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 Tax Code.

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

Notice and Hearing Procedures

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayers referenda which could result in the repeal of certain tax increases. The District is required to publish a notice of a public hearing regarding the tax rate proposed to be levied in the current year and comparing the proposed tax rate to the tax rate set in the preceding year. See “Rollback of Operation and Maintenance Tax Rate” below.

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 are 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 a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year’s debt service and contract tax rate plus 1.08 times the previous year’s operation and maintenance tax rate.

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

Developing Districts: Districts that do not meet the classification of a Low Tax Rate District or a Developed District are 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 a rollback election is called and passes, the total tax rate for Developing Districts is the current year’s debt service and contract tax rate plus 1.08 times the previous year’s operation and maintenance tax rate.

The District: A determination as to a district’s status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2022 tax year, the District was qualified as a “Developing District” by the Board of Directors. 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.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The date of delinquency may be postponed if the tax bills are mailed after January 1. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

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

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, 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 1/4th of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three (3) equal installments within six (6) months of the delinquency date.

Additionally, the Property Tax 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 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's Rights in the Event of Tax Delinquencies

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

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

all other types of property after the purchasers deed at the foreclosure sale is filed in the county records. See “RISK FACTORS – General” and “RISK FACTORS – Tax Collection Limitations.”

LEGAL MATTERS

Legal Proceedings

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 legal 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 and the approving legal opinion of Bond Counsel, to a like effect, and to the effect that 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 federal alternative minimum tax.

Bond Counsel has reviewed the information appearing in this Official Statement under the captions “THE DISTRICT,” “THE BONDS (except under the subheading “Registered Owner’s Remedies),” “TAXING PROCEDURES,” “THE SYSTEM – Description of the Utility Agreement,” “LEGAL MATTERS – Legal Proceedings,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” (except under the subheading “Compliance with Prior Undertakings”) solely to determine 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 or the Developer 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.

The legal fees paid to Bond Counsel and Disclosure 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.

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Bond Counsel

The delivery of Bonds is subject to an opinion of Bond Counsel to the effect that, assuming continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds pursuant to Section 103 of the Code, and existing regulations, published rulings and court decision procedures, interest on the bonds (i) will be excludable from the income, as defined in Section 61 of the Code, of the owners thereof for federal income tax purposes and (ii) 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 statutes, regulations, published rulings, and court decisions on which such opinion is based are subject to change.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including

but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or Beneficial Owners to incur significant expense.

Proposed Tax Legislation

If enacted, potential tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Original Issue Discount

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 "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 this 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 inside cover, 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 (6)-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six (6)-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.

Collateral Federal Income Tax Consequences

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

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

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

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

NOT Qualified Tax-Exempt Obligations

The District has NOT designated the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b) of the Code due to the fact that the reasonably anticipated amount of tax-exempt obligations which will be issued by the District during the calendar year 2023, including the Bonds, will exceed \$10,000,000.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following covenants for the benefit of the holders of the Bonds. The District is required to observe these covenants for so long as it remains obligated to pay the Bonds. Pursuant to these covenants, the District will be obligated to provide certain updated financial information and operating data annually, as well as timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its function as a repository, through its Electronic Municipal Market Access ("EMMA") system, available at www.emma.msrb.org.

Annual Reports

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

The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT," "TAX DATA" and "APPENDIX A." In addition, the District has agreed to provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 of the Securities Exchange Act (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in "APPENDIX A" or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The financial information and operating data which will be provided with respect to the District is found in the APPENDIX A (the District's Audited Financial Report). In addition, the District has agreed to provide the information found in APPENDIX B (the Financial Statements of the Developer) with respect to the Developer, any person or entity to whom the Developer voluntarily assigns (except as collateral) the right to receive a payment out of the proceeds from the sale of the bonds of the District, and each other or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. EMMA within such six month period, and audited financial statements when the audit report becomes available. The District will be obligated to provide information concerning the Developer and any such other person or entity only if and so long as (1) such persons own more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (2) such persons have made tax or other payments to the District which were used or available to pay more than 20% of the District's debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such persons are obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District's bonds then outstanding.

The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years. Any information so provided shall be prepared in accordance with generally accepted auditing standards 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 the audit report becomes available.

The District's fiscal year end is currently July 31. Accordingly, it must provide updated information by January 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the

issuance by the IRS 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 within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District within the meaning of the Rule, the sale of all or substantially all of the assets of the District within the meaning of the Rule, other than in the ordinary course of business, or 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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, any of which reflect financial difficulties. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the MSRB consistent with 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 Order 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

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access continuing disclosure information filed with the MSRB through its EMMA system at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of such Rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would

not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The Bonds are the Second issuance of bonded indebtedness by the District, and, as such, the District has previously entered into a continuing disclosure agreement pursuant to the Rule, but has not had any required filings under such agreement.

OFFICIAL STATEMENT

Preparation

The information in this Official Statement has been obtained from sources as set forth herein under the following captions: "THE DISTRICT" and "THE SYSTEM," – the Engineer; "THE DEVELOPER," "DEVELOPMENT WITHIN THE DISTRICT" – the Developer, "TAX DATA," "THE BONDS," "THE SYSTEM – Description of the Utility Agreement," "CONTINUING DISCLOSURE OF INFORMATION," "TAXING PROCEDURES," "LEGAL MATTERS," and "TAX MATTERS – Bond Counsel."

The District's audited financial statements for the year ended July 31, 2022, were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant, Houston, Texas, and have been included herein as "APPENDIX A." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant, has consented to the publication of such financial statements in this Official Statement.

Experts

In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor.

The Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the Utility System and the Road System, in particular, that information included in the sections entitled "THE DISTRICT," and "THE SYSTEM," has been provided by the Engineer, and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.

Tax Assessor/Collector and Appraisal District: The information contained in the Official Statement relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular such information contained in the sections captioned "TAX DATA" has been provided by Assessment of the Southwest, Inc. and the Appraisal District, in reliance upon their authority as experts in appraising and tax assessing.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity, 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, description 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 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 County Municipal Utility District No. 575 as of the date shown on the first page hereof.

/s/ Michael Wardroup
President, Board of Directors
Harris County Municipal Utility District No. 575

ATTEST:

/s/ Anthony Vlahos
Secretary, Board of Directors
Harris County Municipal Utility District No. 575

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2022

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	11
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	12-13
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	14
NOTES TO THE FINANCIAL STATEMENTS	15-23
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	25
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	27-28
GENERAL FUND EXPENDITURES	29
INVESTMENTS	30
TAXES LEVIED AND RECEIVABLE	31-32
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND – TWO YEARS	33
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	34-35

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, Texas 78755-5126
(512) 610-2209
E-Mail: mgsb@mgsbpllc.com
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 575
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 575 (the "District") as of and for the year ended July 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 the District as of July 31, 2022, and the respective changes in financial position 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 the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund 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.

Board of Directors
Harris County Municipal Utility District No. 575

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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is 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 supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

February 1, 2023

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

Management’s discussion and analysis of Harris County Municipal Utility District No. 575’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended July 31, 2022. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District’s assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has two governmental fund types. The General Fund accounts for property tax revenues, developer advances, operating costs and general expenditures. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District’s governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information (“RSI”) and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, liabilities exceeded assets by \$204,986 as of July 31, 2022.

A portion of the District’s net position reflects its net investment in capital assets (intangible assets, land, detention facilities and a fire facility less any debt outstanding used to acquire those assets). The following is a comparative analysis of government-wide changes in net position:

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2022</u>	<u>2021</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 270,157	\$ 336	\$ 269,821
Intangible Assets (Net of Accumulated Amortization)	3,058,229		3,058,229
Capital Assets (Net of Accumulated Depreciation)	<u>5,304,381</u>		<u>5,304,381</u>
Total Assets	<u>\$ 8,632,767</u>	<u>\$ 336</u>	<u>\$ 8,632,431</u>
Due to Developer	\$ 1,732,794	\$ 5,000	\$ (1,727,794)
Other Liabilities	<u>7,104,959</u>	<u>3,421</u>	<u>(7,101,538)</u>
Total Liabilities	<u>\$ 8,837,753</u>	<u>\$ 8,421</u>	<u>\$ (8,829,332)</u>
Net Position:			
Net Investment in Capital Assets	\$ (377,138)	\$	\$ (377,138)
Unrestricted	<u>172,152</u>	<u>(8,085)</u>	<u>180,237</u>
Total Net Position	<u>\$ (204,986)</u>	<u>\$ (8,085)</u>	<u>\$ (196,901)</u>

The following table provides a summary of the District's operations for the year ended July 31, 2022, and the inception period ended July 31, 2021.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2022</u>	<u>2021</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 238,272	\$	\$ 238,272
Other Revenues	866		866
Total Revenues	<u>\$ 239,138</u>	<u>\$</u>	<u>\$ 239,138</u>
Expenses for Services	<u>436,039</u>	<u>8,085</u>	<u>(427,954)</u>
Change in Net Position	\$ (196,901)	\$ (8,085)	\$ (188,816)
Net Position, Beginning	<u>(8,085)</u>		<u>(8,085)</u>
Net Position, Ending	<u>\$ (204,986)</u>	<u>\$ (8,085)</u>	<u>\$ (196,901)</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's combined fund balances as of July 31, 2022, were a deficit of \$6,838,398, a decrease of \$6,835,313 from the prior year.

The District's General Fund fund balance increased by \$171,641, primarily due to property tax revenues and developer advances exceeding operating costs.

The Capital Project Fund was created in the current fiscal year and had a deficit fund balance of \$7,006,954 at year-end due to the issuance of the Series 2022 Bond Anticipation Note.

CAPITAL ASSETS

Capital assets as of July 31, 2022, total \$5,304,381 and include land, a fire facility and detention facilities.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,220,948	\$	\$ 2,220,948
Capital Assets, Net of Accumulated Depreciation:			
Fire Facility	1,357,894		1,357,894
Detention Facilities	1,725,539		1,725,539
Total Net Capital Assets	\$ 5,304,381	\$ -0-	\$ 5,304,381

The District is located within the city limits of the City of Houston (the "City"). All water and wastewater facilities are conveyed to the City once constructed and placed in service. The City operates the facilities and is responsible for the maintenance. To date, utilities in Southbelt Central Business Park have been conveyed to the City. Facilities with an unamortized balance of \$3,058,229 have been conveyed to the City.

LONG-TERM DEBT

As of July 31, 2022, the District recorded an amount due to Developer of \$1,732,794 which consists of completed projects funded by the Developer.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current year. Actual revenues were \$235,175 more than budgeted revenues, actual expenditures were \$32,074 more than budgeted expenditures and actual advances were \$31,460 less than budgeted. This resulted in a positive variance of \$171,641. See the budget to actual comparison for more information.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 575, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Blvd, Suite 1380, Houston, Texas 77056.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2022

	General Fund	Capital Projects Fund
ASSETS		
Cash	\$ 11,845	\$
Investments	128,509	126,207
Receivables:		
Property Taxes	3,596	
Due from Other Funds	61,881	
Land		
Intangible Assets - Right to Receive Service (Net of Accumulated Amortization)		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 205,831	\$ 126,207
 LIABILITIES		
Accounts Payable	\$ 33,679	\$
Accrued Interest Payable		6,280
Due to Developers		
Due to Other Funds		61,881
Bond Anticipation Note Payable		7,065,000
TOTAL LIABILITIES	\$ 33,679	\$ 7,133,161
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 3,596	\$ -0-
 FUND BALANCES		
Restricted for Authorized Construction		\$ (7,006,954)
Unassigned	168,556	
TOTAL FUND BALANCES	\$ 168,556	\$ (7,006,954)
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 205,831	\$ 126,207
 NET POSITION		
Net Investment in Capital Assets		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to the financial statements are an integral part of this report.

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 11,845	\$	\$ 11,845
254,716		254,716
3,596		3,596
61,881	(61,881)	
	2,220,948	2,220,948
	3,058,229	3,058,229
	3,083,433	3,083,433
<u>\$ 332,038</u>	<u>\$ 8,300,729</u>	<u>\$ 8,632,767</u>
\$ 33,679	\$	\$ 33,679
6,280		6,280
61,881	1,732,794	1,732,794
7,065,000	(61,881)	7,065,000
<u>\$ 7,166,840</u>	<u>\$ 1,670,913</u>	<u>\$ 8,837,753</u>
<u>\$ 3,596</u>	<u>\$ (3,596)</u>	<u>\$ -0-</u>
\$ (7,006,954)	\$ 7,006,954	\$
168,556	(168,556)	
<u>\$ (6,838,398)</u>	<u>\$ 6,838,398</u>	<u>\$ -0-</u>
<u>\$ 332,038</u>		
	\$ (377,138)	\$ (377,138)
	172,152	172,152
	<u>\$ (204,986)</u>	<u>\$ (204,986)</u>

The accompanying notes to the financial statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2022

Total Fund Balances - Governmental Funds	\$ (6,838,398)
--	----------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	8,362,610
--	-----------

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2021 and prior tax levies became part of recognized revenue in the governmental activities of the District.	3,596
--	-------

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Due to Developer</td> <td style="width: 20%; text-align: right; border-bottom: 1px solid black;">(1,732,794)</td> </tr> </table>	Due to Developer	(1,732,794)	
Due to Developer	(1,732,794)		
Total Net Position - Governmental Activities	\$ (204,986)		

The accompanying notes to the financial statements are an integral part of this report.

THIS PAGE INTENTIONALLY LEFT BLANK

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2022

	General Fund	Capital Projects Fund
REVENUES		
Property Taxes	\$ 234,676	\$
Investment Revenues	509	357
TOTAL REVENUES	\$ 235,185	\$ 357
 EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 45,415	\$
Contracted Services	18,012	
Utilities	49	
Repairs and Maintenance	2,696	
Amortization		
Depreciation		
Other	17,372	
Capital Outlay		6,740,923
Debt Service:		
Bond Anticipation Note Interest		6,280
Bond Anticipation Note Issuance Costs		260,108
TOTAL EXPENDITURES/EXPENSES	\$ 83,544	\$ 7,007,311
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 151,641	\$ (7,006,954)
OTHER FINANCING SOURCES (USES)		
Developer Advances	\$ 20,000	\$
NET CHANGE IN FUND BALANCES	\$ 171,641	\$ (7,006,954)
CHANGE IN NET POSITION		
FUND BALANCES (DEFICIT)/NET POSITION - AUGUST 1, 2021	(3,085)	
FUND BALANCES (DEFICIT)/NET POSITION - JULY 31, 2022	\$ 168,556	\$ (7,006,954)

The accompanying notes to the financial statements are an integral part of this report.

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 234,676	\$ 3,596	\$ 238,272
866		866
<u>\$ 235,542</u>	<u>\$ 3,596</u>	<u>\$ 239,138</u>
\$ 45,415	\$ 43,998	\$ 89,413
18,012		18,012
49		49
2,696		2,696
	10,083	10,083
	32,026	32,026
17,372		17,372
6,740,923	(6,740,923)	
6,280		6,280
260,108		260,108
<u>\$ 7,090,855</u>	<u>\$ (6,654,816)</u>	<u>\$ 436,039</u>
<u>\$ (6,855,313)</u>	<u>\$ 6,658,412</u>	<u>\$ (196,901)</u>
<u>\$ 20,000</u>	<u>\$ (20,000)</u>	<u>\$ - 0 -</u>
\$ (6,835,313)	\$ 6,835,313	\$
	(196,901)	(196,901)
(3,085)	(5,000)	(8,085)
<u>\$ (6,838,398)</u>	<u>\$ 6,633,412</u>	<u>\$ (204,986)</u>

The accompanying notes to the financial
statements are an integral part of this report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2022**

Net Change in Fund Balances - Governmental Funds	\$ (6,835,313)
--	----------------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	3,596
--	-------

Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital and intangible assets are depreciated and amortized, and the depreciation and amortization expense is recorded in the Statement of Activities.	(42,109)
--	----------

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	6,696,925
---	-----------

Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.	<u>(20,000)</u>
--	-----------------

Change in Net Position - Governmental Activities	<u>\$ (196,901)</u>
--	---------------------

The accompanying notes to the financial statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 1. CREATION OF DISTRICT

The District was created by an order of the Texas Commission on Environmental Quality (the “Commission”), effective February 4, 2021, in accordance with the Texas Water Code, Chapters 49 and 54. The District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, to construct roads, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its first meeting on February 11, 2021.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local 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 statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund

The District has two governmental funds and considers each to be a major fund.

General Fund - To account for property tax revenues, developer advances, operating costs and general expenditures.

Capital Projects Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources and uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of July 31, 2022, the Capital Projects Fund owed the General Fund \$61,881 for bond issuance costs paid by the General Fund.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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 imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

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

Unassigned: all other spendable amounts in the General Fund.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$11,845 and the bank balance was \$13,179. The District was not exposed to custodial credit risk.

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), a public funds investment pool. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor and UMB Bank, N.A., serves as the custodian for the pool. Texas CLASS is subject to the general supervision of the Board of Trustees and its Advisory Board, both of which are elected by the Texas CLASS participants. The fair value of the District’s position in the pool is the same as the value of pool shares.

As of July 31, 2022, the District the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 128,509	\$ 128,509
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	126,207	126,207
TOTAL INVESTMENTS	\$ 254,716	\$ 254,716

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2022, the District’s investment in Texas CLASS was rated AAAM by Standard and Poors’.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair balue of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 4. MAINTENANCE TAX

On May 1, 2021, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended July 31, 2022, the District levied an ad valorem maintenance tax rate of \$0.60 per \$100 of assessed valuation, which resulted in a tax levy of \$238,272 on the adjusted taxable valuation of \$39,712,004 for the 2021 tax year.

On May 1, 2021, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.10 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's parks and recreational facilities. During the year ended July 31, 2022, the District did not levy a parks and recreational tax.

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

NOTE 5. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage since inception.

NOTE 6. BOND AUTHORIZATION

At an election held May 1, 2021, the voters of the District authorized the issuance of bonds up to \$60,000,000 for the purposes of acquiring or construction of water, sewer and drainage facilities, \$40,000,000 for road facilities, \$7,000,000 for park and recreational purposes, \$90,000,000 for the purpose of refunding water, sewer and drainage facilities bonds, \$60,000,000 for the purpose of refunding road bonds and \$10,500,000 for the purpose of refunding park and recreational bonds of which all remain authorized but unissued.

NOTE 7. DEFICIT FUND BALANCE

The Capital Projects Fund has a deficit balance of \$7,006,954 as of July 31, 2022. This deficit is projected to be eliminated with a bond issue in the next fiscal year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 8. CAPITAL ASSETS

Capital Asset activity for the year ended July 31, 2022:

	August 1, 2021	Increases	Decreases	July 31, 2022
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ - 0 -	\$ 2,220,948	\$ - 0 -	\$ 2,220,948
Capital Assets Subject to Depreciation				
Fire Facility	\$ - 0 -	\$ 1,388,764	\$ - 0 -	\$ 1,388,764
Detention Facilities	- 0 -	1,726,695	- 0 -	1,726,695
Total Capital Assets Subject to Depreciation	<u>\$ - 0 -</u>	<u>\$ 3,115,459</u>	<u>\$ - 0 -</u>	<u>\$ 3,115,459</u>
Accumulated Depreciation				
Fire Facility	\$ - 0 -	\$ 30,870	\$ - 0 -	\$ 30,870
Detention Facilities	- 0 -	1,156	- 0 -	1,156
Total Accumulated Depreciation	<u>\$ - 0 -</u>	<u>\$ 32,026</u>	<u>\$ - 0 -</u>	<u>\$ 32,026</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ - 0 -</u>	<u>\$ 3,083,433</u>	<u>\$ - 0 -</u>	<u>\$ 3,083,433</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ - 0 -</u></u>	<u><u>\$ 5,304,381</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ 5,304,381</u></u>

All water and wastewater facilities have been conveyed to the City of Houston for operations and maintenance. The District has recorded an intangible asset for the cost of the assets which have a cost of \$3,068,312 and accumulated amortization of \$10,083 through July 31, 2022. Current year amortization expense was \$10,083.

NOTE 9. UNREIMBURSED COSTS

The District has entered into certain financing and reimbursement agreements with a Developer within the District which provides for the Developer to make payments on behalf of the District for various projects and operating advances. The District has an obligation to reimburse the Developer for these costs from future bond issues to the extent approved by the Commission. The District has recorded a liability to the Developer of \$1,732,794 for completed projects as of July 31, 2022. The actual amounts owed, including developer interest, will be calculated at the time debt is issued to reimburse the Developer. The following table summarizes the current fiscal year activity:

Due to Developers, beginning of year	\$ 5,000
Current year additions	<u>1,727,794</u>
Due to Developers, end of year	<u><u>\$ 1,732,794</u></u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 10. SALE OF BOND ANTICIPATION NOTE

On May 12, 2022, the District closed on the sale of its \$7,065,000 Series 2022 Bond Anticipation Note (“BAN”). Proceeds from the BAN sale were used to reimburse the Developer for a portion of the engineering, land acquisition and construction costs for water, wastewater, drainage, paving and fire facilities to serve the South Belt Central Business Park, as well as to reimburse operating advances. Additional proceeds were used to pay for issuance costs of the BAN. The BAN is expected to be redeemed with proceeds from the Series 2022 bonds. No issuance date has been established for the bond sale, but it is anticipated to occur in the first quarter of 2023.

THIS PAGE INTENTIONALLY LEFT BLANK

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2022

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$	\$ 234,676	\$ 234,676
Investment Revenues	<u>10</u>	<u>509</u>	<u>499</u>
TOTAL REVENUES	<u>\$ 10</u>	<u>\$ 235,185</u>	<u>\$ 235,175</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 25,000	\$ 45,415	\$ (20,415)
Contracted Services	3,000	18,012	(15,012)
Utilities		49	(49)
Repairs and Maintenance		2,696	(2,696)
Other	<u>23,470</u>	<u>17,372</u>	<u>6,098</u>
TOTAL EXPENDITURES	<u>\$ 51,470</u>	<u>\$ 83,544</u>	<u>\$ (32,074)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (51,460)</u>	<u>\$ 151,641</u>	<u>\$ 203,101</u>
OTHER FINANCING SOURCES(USES)			
Developer Advances	<u>\$ 51,460</u>	<u>\$ 20,000</u>	<u>\$ (31,460)</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ 171,641	\$ 171,641
FUND BALANCE(DEFICIT) - AUGUST 1, 2021	<u>(3,085)</u>	<u>(3,085)</u>	
FUND BALANCE(DEFICIT) - JULY 31, 2022	<u>\$ (3,085)</u>	<u>\$ 168,556</u>	<u>\$ 171,641</u>

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

JULY 31, 2022

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2022**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u>N/A</u>	Retail Water	<u>N/A</u>	Wholesale Water	<u>N/A</u>	Drainage
<u>N/A</u>	Retail Wastewater	<u>N/A</u>	Wholesale Wastewater	<u>N/A</u>	Irrigation
<u>N/A</u>	Parks/Recreation	<u>X</u>	Fire Protection	<u>N/A</u>	Security
<u>N/A</u>	Solid Waste/Garbage	<u>N/A</u>	Flood Control	<u>N/A</u>	Roads
<u>N/A</u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u>X</u>	Other (specify): Storm Water Detention				

The District is located within the city limits of the City of Houston (the “City”). All water and wastewater facilities, storm water facilities and road facilities will be conveyed to the City once constructed and placed in service. The City will operate the facilities and is responsible for the maintenance.

2. RETAIL SERVICE PROVIDERS: (Not Applicable)

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Not Applicable)

4. STANDBY FEES (authorized only under TWC Section 49.231):

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

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

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2022

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely X Partly Not at all

City of Cities in which District is located:

Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2022

PROFESSIONAL FEES:	
Auditing	\$ 6,250
Engineering	9,434
Legal	<u>29,731</u>
TOTAL PROFESSIONAL FEES	<u>\$ 45,415</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 213
Bookkeeping	7,924
Operations and Billing	6,375
Tax Collector	<u>3,500</u>
TOTAL CONTRACTED SERVICES	<u>\$ 18,012</u>
UTILITIES	<u>\$ 49</u>
REPAIRS AND MAINTENANCE	<u>\$ 2,696</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 3,668
Election Costs	240
Insurance	6,682
Office Supplies and Postage	877
Travel and Meetings	293
Other	<u>5,612</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 17,372</u>
TOTAL EXPENDITURES	<u><u>\$ 83,544</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
INVESTMENTS
JULY 31, 2022

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	\$ 128,509	\$
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	<u>\$ 126,207</u>	<u>\$</u>
TOTAL - ALL FUNDS				<u>\$ 254,716</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2022

	Maintenance Taxes	
TAXES RECEIVABLE -		
AUGUST 1, 2021	\$	
Adjustments to Beginning		
Balance	\$	-0-
Original 2021 Tax Levy	\$	3,596
Adjustment to 2021 Tax Levy	234,676	238,272
TOTAL TO BE		
ACCOUNTED FOR		\$ 238,272
 TAX COLLECTIONS:		
Prior Years	\$	
Current Year	234,676	234,676
 TAXES RECEIVABLE -		
JULY 31, 2022		\$ 3,596
 TAXES RECEIVABLE BY		
YEAR:		
2021		\$ 3,596

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2022

	<u>2021</u>
PROPERTY VALUATIONS:	
Land	\$ 34,186,203
Improvements	6,365,204
Personal Property	81
Exemptions	<u>(839,484)</u>
TOTAL PROPERTY VALUATIONS	\$ 39,712,004
TAX RATES PER \$100 VALUATION:	
Debt Service	\$ 0.00
Maintenance	<u>0.60</u>
TOTAL TAX RATES PER \$100 VALUATION	\$ <u>0.60</u>
ADJUSTED TAX LEVY*	\$ <u>238,272</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.49</u> %

* Based upon adjusted tax at time of audit for the period in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation was approved by voters on May 1, 2021.

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – TWO YEARS

	Amounts		Percentage of Total Revenues	
	2022	2021	2022	2021
REVENUES				
Property Taxes	\$ 234,676	\$	99.8 %	
Investment Revenues	<u>509</u>	<u></u>	<u>0.2</u>	<u></u>
TOTAL REVENUES	<u>\$ 235,185</u>	<u>\$ - 0 -</u>	<u>100.0 %</u>	<u>%</u>
EXPENDITURES				
Professional Fees	\$ 45,415	\$ 707	19.3 %	
Contracted Services	18,012	2,253	7.7	
Utilities	49			
Repairs and Maintenance	2,696		1.1	
Other	<u>17,372</u>	<u>5,125</u>	<u>7.4</u>	<u></u>
TOTAL EXPENDITURES	<u>\$ 83,544</u>	<u>\$ 8,085</u>	<u>35.5 %</u>	<u>%</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 151,641</u>	<u>\$ (8,085)</u>	<u>64.5 %</u>	<u>%</u>
OTHER FINANCING SOURCES (USES)				
Developer Advances	<u>\$ 20,000</u>	<u>5,000</u>		
NET CHANGE IN FUND BALANCE	\$ 171,641	\$ (3,085)		
BEGINNING FUND BALANCE (DEFICIT)	<u>(3,085)</u>	<u></u>		
ENDING FUND BALANCE (DEFICIT)	<u>\$ 168,556</u>	<u>\$ (3,085)</u>		
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>		
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>		

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2022

District Mailing Address - Harris County Municipal Utility District No. 575
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP
1980 Post Oak Blvd, Suite 1380
Houston, TX 77056

District Telephone Number - (713) 850-9000

Board Members	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended July 31, 2022</u>	<u>Expense Reimbursements for the year ended July 31, 2022</u>	<u>Title</u>
Michael Wardroup	05/2021 - 05/2024 (Elected)	\$ 750	\$ -0-	President
James Mabrey	05/2022 - 05/2026 (Elected)	\$ 600	\$ -0-	Vice President
Anthony Vlahos	05/2021 - 05/2024 (Elected)	\$ 750	\$ 154	Secretary
Mary Katherine Franklin	05/2022 - 05/2026 (Elected)	\$ 600	\$ -0-	Assistant Secretary
Marcus Pullicino	05/2021 - 05/2024 (Elected)	\$ 450	\$ -0-	Assistant Secretary

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission date of most recent District Registration Form: September 19, 2022

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on February 11, 2021. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 575
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2022

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2022</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	02/11/21	\$ 33,990 \$ 78,040 \$ 49,037	General Counsel Bond Counsel Creation legal
McCall Gibson Swedlund Barfoot PLLC	10/28/21	\$ 6,250 \$ 9,000	Auditor BAN related
Municipal Accounts & Consulting, L.P.	02/11/21	\$ 8,415 \$ 2,250	Bookkeeper BAN related
Robert W. Baird & Co. Incorporated	02/11/21	\$ 70,650	Financial Advisor
Pape-Dawson Engineers	02/11/21	\$ 60,066	Engineer
Texas Operations & Professional Services	11/18/21	\$ 8,871	Operator
Utility Tax Service, LLC	02/11/21	\$ 3,500	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B
FINANCIAL STATEMENTS OF THE DEVELOPER

IDV-BP INVESTORS, LLC AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

DESROCHES | **PARTNERS**

CERTIFIED PUBLIC ACCOUNTANTS

IDV-BP INVESTORS, LLC AND SUBSIDIARIES

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT.....	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Balance Sheet.....	3
Consolidated Statement of Income and Changes in Members’ Equity	4
Consolidated Statement of Cash Flows.....	5
Notes to the Consolidated Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

To the Members
IDV-BP Investors, LLC and Subsidiaries
Houston, TX

Opinion

We have audited the accompanying consolidated financial statements of IDV-BP Investors, LLC and Subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of income and changes in members' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Consolidated Financial Statements section of our report. We are required to be independent of the Company 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 opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibility for the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 opinion. 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 consolidated 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 consolidated 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 consolidated 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 Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Desroches Partners, LLP

Houston, TX
February 28, 2022



(T) 713.360.0800
(F) 713.360.0801

840 Gessner, Suite 350
Houston, Texas 77024

3400 N. Central Expy, Suite 110-257
Richardson, Texas 75080

DPLLP.cpa

IDV-BP INVESTORS, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2021

ASSETS

CURRENT ASSETS:	
Cash and Cash Equivalents	\$ 464,003
Rents Receivable and Accrued Rent Revenue	265,962
Other Receivables	535,650
Prepaid Insurance	<u>6,430</u>
Total Current Assets	1,272,045
PROPERTY AND EQUIPMENT:	
Leasehold Improvements	1,618,085
Buildings	19,024,651
Land	41,359,057
Construction in Progress	<u>11,717,460</u>
	73,719,253
Less: Accumulated Depreciation	<u>(256,310)</u>
Total Property and Equipment, Net	73,462,943
INTANGIBLE ASSETS, NET	<u>1,230,725</u>
TOTAL ASSETS	<u>\$ 75,965,713</u>

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES:	
Accounts Payable	\$ 1,389,023
Retainage Payable	<u>306,575</u>
Total Current Liabilities	1,695,598
LONG-TERM LIABILITIES:	
Security Deposits	19,031
Long-Term Debt	<u>12,890,437</u>
Total Long-Term Liabilities	<u>12,909,468</u>
TOTAL LIABILITIES	14,605,066
COMMITMENTS AND CONTINGENCIES	-
MEMBERS' EQUITY	<u>61,360,647</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 75,965,713</u>

The accompanying notes are an integral part of these consolidated financial statements.

IDV-BP INVESTORS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME AND CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

RENT REVENUE	\$ 289,935
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>386,953</u>
LOSS FROM OPERATIONS	(97,018)
OTHER INCOME (EXPENSE):	
Other Expenses	(67,316)
Royalty Income	207,564
Gain on Disposal of Property and Equipment	<u>169,232</u>
Total Other (Income) Expense	<u>309,480</u>
NET INCOME	212,462
MEMBERS' EQUITY, BEGINNING OF YEAR	38,749,018
CONTRIBUTIONS	24,012,076
DISTRIBUTIONS	<u>(1,612,909)</u>
MEMBERS' EQUITY, END OF YEAR	<u><u>\$ 61,360,647</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

IDV-BP INVESTORS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Income	\$ 212,462
Adjustments to Reconcile Net Income to Net	
Cash Used in Operating Activities:	
Depreciation on Property and Equipment	256,310
Amortization on Intangible Assets	13,673
Amortization on Debt Issuance Costs	48,453
Gain on Disposal of Property and Equipment	(169,232)
Increase (Decrease) In:	
Rents Receivable and Accrued Rent Revenue	(265,962)
Other Receivable	497,136
Prepaid Insurance	(6,430)
Accounts Payable	(4,764,828)
Retainage Payable	(1,012,806)
Security Deposits	<u>19,031</u>
Net Cash Used in Operating Activities	(5,172,193)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of Property and Equipment	(29,404,856)
Proceeds on Disposal of Property and Equipment	1,727,311
Purchases of Intangible Assets	<u>(1,244,398)</u>
Net Cash Used in Investing Activities	(28,921,943)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Borrowings on Long-Term Debt	12,536,486
Repayments on Long-Term Debt	(497,136)
Contributions from Members	24,012,076
Distribution to Members	<u>(1,612,909)</u>
Net Cash Provided by Financing Activities	<u>34,438,517</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	344,381
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>119,622</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 464,003</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

IDV-BP INVESTORS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

Other Receivable via Long-Term Debt	\$ <u>535,650</u>
Acquisition of Property and Equipment Via Accounts Payable	\$ <u>1,389,023</u>
Acquisition of Property and Equipment Via Retainage Payable	\$ <u>306,575</u>

The accompanying notes are an integral part of these consolidated financial statements.

IDV-BP INVESTORS, LLC AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION STRUCTURE

IDV-BP Investors, LLC and its wholly owned subsidiaries IDV-BP South Belt, LLC, IDV-BP South Belt 1 & 2, LLC, IDV-BP Schertz, LLC, and IDV-BP South Belt 4, 6, & 7, LLC are Delaware limited liability companies formed on November 22, 2019, March 27, 2020, November 2, 2021, and December 17, 2021, respectively. These entities are collectively hereafter referred to as the “Company”. The Company’s headquarters are in Houston, Texas.

The Operating Agreements of the Company (the "Agreements") specify, among other things, the term of the limited liability companies (continue until the Company terminates under the terms of the LLC Agreement), the rights and powers of the members, capital contribution and cash distribution criteria, and profit and loss allocations. As a limited liability company, each member's liability is generally limited to the amount in their respective capital accounts.

The principal operations of the Company are for the lease or sale of commercial real estate.

IDV-BP South Belt 1 & 2, LLC commenced operations in November 2021.

As of December 31, 2021, IDV-BP South Belt, LLC, IDV-BP South Belt 4, 6, & 7, LLC, and IDV-BP Schertz, LLC have not yet commenced planned principal operations, and activities since inception have consisted principally of (1) acquiring land; (2) infrastructure development or construction costs for the building and (3) other costs such as interest, insurance, or construction benefits. The activities of IDV-BP South Belt, LLC, IDV-BP South Belt 4, 6, & 7, LLC, and IDV-BP Schertz, LLC are subject to significant risks and uncertainties, including the potential failure to secure sufficient funding to operationalize its principal operations and failure to obtain the necessary permits and licenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the consolidated financial statements. The consolidated financial statements and notes to the consolidated financial statements are the representations of management, who are responsible for their integrity and objectivity. These accounting policies reflect industry practices, conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company. All material intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks and all highly liquid investments with original maturities of three months or less at the time of purchase.

IDV-BP INVESTORS, LLC AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue

The Company enters into non-cancellable lease agreements with tenants. Some lease agreements provide a cancellation provision at the mutual discretion of management and the tenant. Rent revenue is recognized under the accrual method of accounting. Revenue includes (1) base rent, (2) operating expense reimbursements, and (3) accrued rent revenue. Operating expense reimbursements are based on each tenant's proportionate share of certain operating expenses incurred by the Company.

Accrued Rent Revenue, Rents Receivable, and Other Receivable

Accrued rent revenue represents revenue earned under the straight-line method for leases with escalation clauses over the term of the lease agreement. Given the nature of this accrual, there is an inherent risk that it may not be fully recognized if the tenant cancels the lease prior to maturity. As of December 31, 2021, Management believes this accrual will be fully recognized and an allowance is not considered necessary

Rents receivable are recorded at net realizable value and represent amounts owed to the Company that are expected to be collected within twelve months. Some rents receivable balances are secured through security deposits from tenants while others are generally uncollateralized. Rents receivable are ordinarily due on the first day of each month.

Management evaluates rents receivable on an ongoing basis by analyzing tenant relationships and previous payment histories. An allowance is established for accounts whose collection is uncertain. Amounts are charged to the allowance after all collection efforts have failed. At December 31, 2021, an allowance for doubtful accounts was not considered warranted.

Other receivable represents monies owed to the Company for a draw request submitted on the construction loan (see Note 4) prior to December 31, 2021.

Property and Equipment

Property and equipment are stated at cost. Expenditures for additions, major renewals and betterments are capitalized, and expenditures for maintenance and repairs are charged against income as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income. Property and equipment are reviewed for impairment whenever events or circumstances indicate the recorded costs may not be recoverable. Management believes no impairment has occurred with respect to property and equipment for the year ended December 31, 2021.

The Company provides for depreciation of property and equipment using the straight-line method over the estimated useful lives of the respective assets which range from 7 to 39 years. For the year ended December 31, 2021, depreciation expense totaled \$256,310.

Intangible Assets

Intangible assets subject to amortization include brokerage fees associated with entering into lease agreements with new tenants. Brokerage fees are amortized on a straight-line basis over the life of the term of the tenant lease. At December 31, 2021, cost basis and accumulated amortization totaled \$1,244,398 and \$13,673, respectively. For the year ended December 31, 2021, amortization expense totaled \$13,673. As of December 31, 2021, estimated amortization expense for the next five years will approximate \$165,000 per year.

IDV-BP INVESTORS, LLC AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Retainage Payable

Retainage payable represents material costs incurred and owed to the Company's general contractor that are required to be withheld and will be paid upon completion of construction project. As the construction project is expected to be completed within one year, the retainage payable is reflected as a current liability in the accompanying consolidated balance sheet.

Income Taxes

The Company has elected to be treated as a partnership for federal income tax reporting purposes. Accordingly, any taxable income will be allocated to the members pursuant to the allocation provisions of the Agreement.

Federal income taxes are not payable by, or provided for, the Company. Members are taxed individually on their share of Company earnings. Company net income is allocated among the Members in accordance with the Company Agreement.

The Company is subject to Texas franchise tax, commonly referred to as the Texas margin tax, for the year ended December 31, 2021. Due to the Company's earnings level, there is no tax liability at December 31, 2021; accordingly, no provision for state income tax has been included in the accompanying consolidated financial statements.

The Company applies a more-likely-than-not recognition threshold for all tax uncertainties. Accordingly, only those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities are recognized. As applied to the Company, any tax uncertainties would principally relate to state and local income tax liabilities, or uncertainties in its U.S. Federal income tax return that is used to determine state income tax liability. The Company's management has evaluated the Company's tax positions and has concluded that there are no significant uncertain tax positions taken or expected to be taken requiring recognition in its financial statements.

The Company's evaluation was performed for the tax periods ended December 31, 2019 through December 31, 2021 for U.S. Federal and state returns, the tax years which principally remain subject to examination by major tax jurisdictions as of December 31, 2021.

Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates.

IDV-BP INVESTORS, LLC AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Considerations

The Company uses fair value to measure financial assets and liabilities and nonfinancial assets and liabilities measured or disclosed at fair value on a recurring basis (at least annually). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

The Company's financial instruments (primarily cash and cash equivalents, receivables, payables, and debt) are carried in the accompanying consolidated balance sheet at amounts which reasonably approximate fair value.

NOTE 3 – RELATED PARTY TRANSACTIONS

The Company has outsourced certain costs associated with the development of the lands and construction of buildings to IDV Development Services, LLC ("IDS"), a related party through common ownership. For the year ended December 31, 2021, costs associated with the projects paid by the Company directly to IDS totaled \$1,214,409 and have been appropriately capitalized by the Company. As of December 31, 2021, the Company owed IDS \$75,344 for such capitalized costs which are included in accounts payable in the accompanying consolidated balance sheet.

NOTE 4 – LONG-TERM DEBT

In September 2020, the Company entered into a construction loan agreement with a bank that provides for advances up to a principal amount of \$15,680,413 and matures in September 2023 (the "Primary Term") with two conditional 12-month extension options (the "extension period"). The loan is secured by the Company's land and building and is guaranteed by three related parties. Interest is payable monthly at 1-month LIBOR plus an applicable margin (4.15% at December 31, 2021). The Company can prepay the loan at any time during the Primary Term without incurring bank related fees. Upon conclusion of the Primary Term, the loan will convert to a monthly principal and interest payments schedule over the extension period.

The loan agreement contains certain financial covenants for which the Company was in compliance with as of December 31, 2021 and through the date of the auditor's report.

In connection with the construction loan agreement above, the Company incurred debt issuance costs of \$242,265 which will be amortized over the life of the 5-year term loan. Amortization expense is included as a component of other expenses on the accompanying consolidated statement of income and changes in members' equity. For the year ended December 31, 2021, amortization expense totaled \$48,453.

IDV-BP INVESTORS, LLC AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – CONCENTRATIONS OF CREDIT RISK

At various times during the year, the Company may have bank deposits in excess of Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Management believes any credit risk is low due to the overall financial strength of the financial institution.

As of and for the year ended December 31, 2021, the Company had three tenants that comprised approximately 100% of total rent revenue and rents receivable and accrued rent revenue.

NOTE 6 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date the consolidated financial statements were available for issuance on February 28, 2022. Except as disclosed in the following paragraph, no matters were identified affecting the consolidated financial statements or related disclosures.

Uncertainty

There is unprecedented uncertainty still surrounding the duration of the global pandemic, coronavirus disease (COVID-19), its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Company as of February 28, 2022, management believes that a material impact on the Company’s financial position and results of future operations is reasonably possible.

APPENDIX C
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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