

OFFICIAL STATEMENT DATED OCTOBER 25, 2023

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

THE BONDS ARE **NOT** "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-Book-Entry Only

Insured Rating (BAM): S&P "AA" (stable)
See "MUNICIPAL BOND RATING" and
"MUNICIPAL BOND INSURANCE" herein.

\$11,625,000

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 59
(A political subdivision of the State of Texas located within Galveston County)
UNLIMITED TAX ROAD BONDS
SERIES 2023

The bonds described above (the "Bonds") are obligations solely of Galveston County Municipal Utility District No. 59 (the "District") and are not obligations of the State of Texas, Galveston County, the City of Texas City or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS."

Dated Date: November 1, 2023

Due: June 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA in Dallas, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from the initial date of delivery (expected on or about November 28, 2023) (the "Date of Delivery"), and is payable each June 1 and December 1, commencing June 1, 2024, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See "MUNICIPAL BOND INSURANCE" herein.

MATURITY SCHEDULE

Principal Amount	Maturity (June 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)	Principal Amount	Maturity (June 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)
\$ 215,000	2025	36423M AA2	7.500 %	4.40 %	\$ 450,000	2038 (a)	36423M AP9	5.000 %	5.10 %
225,000	2026	36423M AB0	7.500	4.40	480,000	2039 (a)	36423M AQ7	5.000	5.15
240,000	2027	36423M AC8	7.500	4.40	510,000	2040 (a)	36423M AR5	5.000	5.18
255,000	2028	36423M AD6	7.500	4.40	540,000	2041 (a)	36423M AS3	5.000	5.20
270,000	2029	36423M AE4	7.500	4.45	570,000	2042 (a)	36423M AT1	5.125	5.21
285,000	2030	36423M AF1	7.500	4.50	605,000	2043 (a)	36423M AU8	5.125	5.22
305,000	2031 (a)	36423M AG9	7.500	4.60	640,000	2044 (a)	36423M AV6	5.125	5.23
320,000	2032 (a)	36423M AH7	7.250	4.70	675,000	2045 (a)	36423M AW4	5.125	5.24
340,000	2033 (a)	36423M AJ3	5.000	4.80	715,000	2046 (a)	36423M AX2	5.125	5.25
360,000	2034 (a)	36423M AK0	5.000	4.90	760,000	2047 (a)	36423M AY0	5.125	5.26
***	***	***	***	***	805,000	2048 (a)	36423M AZ7	5.125	5.27
425,000	2037 (a)	36423M AN4	5.000	5.05	850,000	2049 (a)	36423M BA1	5.125	5.28

\$785,000 Term Bonds due June 1, 2036 (a), 36423M AM6 (b), 5.000% Interest Rate, 5.00% Yield (c)

- (a) Bonds maturing on or after June 1, 2031, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on June 1, 2030, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about November 28, 2023.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this OFFICIAL STATEMENT for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 97.00138% of the par value thereof, which resulted in a net effective interest rate of 5.408807%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions 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.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price 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.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the 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 and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other 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 shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description...

The District is a political subdivision of the State of Texas created by an order of the Texas Commission on Environmental Quality (the “TCEQ”) on February 21, 2007 and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District currently consists of approximately 791 acres of land. See “THE DISTRICT.”

Location...

The District is located approximately 30 miles southeast of the central downtown business district of the City of Houston and lies wholly within the corporate limits of the City of Texas City, Texas (the “City”). The District is bordered on the east by Galveston County Municipal Utility District Nos. 54 and 56 and Interstate Highway 45 and is intersected by the Gulf Coast Water Authority Canal. It is located approximately one and one-half miles northwest of the intersection of Interstate Highway 45 and the Emmett F. Lowery Expressway on the west side of Interstate Highway 45 and access is provided by Lago Mar Boulevard, Hughes Road, Fashion Way and Outlets Boulevard from the Interstate Highway 45 southbound feeder road. See “THE DISTRICT—Description and Location” and “AERIAL LOCATION MAP.”

*The Developers and
Major Property Owners...*

The developer of land within the District is Land Tejas Texas City, Ltd. (“Land Tejas Texas City”). The general partners of Land Tejas are Brende Lago Mar, L.L.C, a Texas limited liability company and Grover Lago Mar, L.L.C., a Texas limited liability company. Land Tejas Texas City owned approximately 514 acres of developable but undeveloped land in the District at the time the District was created and has conveyed approximately 279 acres of developable but undeveloped land that it owned to Land Tejas Lago Mar LLC, a Texas limited liability company (“Land Tejas Lago Mar”) and approximately 158 acres to LGI (as herein defined). Land Tejas Texas City also conveyed 13 acres where two apartment communities have been constructed in the District and continues to own approximately 64 acres of undeveloped but developable land in the District, of which approximately 51 acres are served with trunk utilities.

In 2022, Astro Lago Mar LP, a Delaware limited partnership (“Astro Lago Mar”) acquired approximately 179 acres of developable but undeveloped land in the District from Land Tejas Lago Mar. Astro Lago Mar was created by a joint venture that included Mr. Al P. Brende and Starwood Land Astro Venture LP. Astro Lago Mar is a special purpose entity established solely for the purpose of developing and marketing such developable but undeveloped land within the District. Astro Lago Mar has an agreement with Land Strategies Management LLC, who has entered into a management agreement with the Land Tejas companies for the management of the day-to-day development activities within the District. Astro Lago Mar has developed 587 single-family residential lots on approximately 133 acres within Lago Mar Pod 8, Sections One through Three and Sections Six through Ten. According to Astro Lago Mar, 68 single-family residential lots within Lago Mar Pod 8, Sections 9-B are not currently connected to the power grid. According to Astro Lago Mar, such lots are expected to be connected to the power grid by November 2023. See “RISK FACTORS—Transformer Shortage.” Astro Lago Mar continues to own approximately 46 acres of developable but undeveloped land in the District.

In 2019 and 2020, LGI Homes—Texas LLC, a Texas limited liability company (“LGI”) acquired approximately 158 acres of developable land from Land Tejas Texas City for the development of Lago Mar, Pod 9. LGI has developed 199 single-family residential lots on approximately 50 acres within Lago Mar Pod 9, Section One. LGI contracted with AG EHC II (LGIH) Multi State 3 LLC, a special purpose entity formed by Angelo, Gordon & Co. for the purpose of purchasing the developed vacant lots and selling them back to LGI as needed for homebuilding. LGI is the sole homebuilder in Lago Mar Pod 9 and continues to own approximately 53 acres of land in the District where construction is underway for the development of 199 single-family residential lots with an expected completion in the first quarter of 2024 and 55 acres of developable but undeveloped land in the District.

M/I Homes of Houston, LLC, a Delaware limited liability company (“M/I Homes”) acquired approximately 36 acres of developable land from Land Tejas Lago Mar. M/I Homes is wholly-owned by M/I Homes, Inc., an Ohio corporation, whose common stock is listed on the New York Stock Exchange under the symbol MHO. M/I Homes has developed 166 single-family residential lots on approximately 36 acres within Lago Mar Pod 10, Sections One and Three. According to M/I Homes, 74 single-family residential lots in Pod 10, Section One are not currently connected to the power grid and are expected to be connected to the power grid by November 2023. See “RISK FACTORS—Transformer Shortage.” Davidson Homes LLC has contracted with M/I Homes to purchase all of the 166 single-family residential lots in Pod 10, Section Two. M/I Homes does not own any additional developable but undeveloped land in the District.

BC Lago Mar, LLC, a Texas limited liability company (“BC Lago Mar”) acquired approximately 29 acres of developable land from Land Tejas Lago Mar. BC Lago Mar is a special purpose entity formed by Davidson Homes LLC, a privately held homebuilding company with headquarters in Huntsville, Alabama. BC Lago Mar has developed 113 single-family residential lots on approximately 29 acres within Lago Mar Pod 10, Section Two, all of which are not currently connected to the power grid. According to BC Lago Mar, such lots are expected to be connected to the power grid by November 2023. See “RISK FACTORS—Transformer Shortage.” Davidson Homes LLC is the sole homebuilder in Pod 10, Section Two and does not own any additional developable but undeveloped land in the District.

WB Largo Mar Pod 8 Land, LLC, a Texas limited liability company (“WB Largo Mar”) acquired approximately 35 acres of developable land from Land Tejas Lago Mar. WB Largo Mar is a special purpose entity formed by Wan Bridge Group, a Texas based build-to-rent home developer and builder, for the sole purpose of developing a single-family residential rental community consisting of 176 single-family residential lots within Lago Mar Pod 8, Sections Four and Five. WB Largo Mar is the sole homebuilder within Lago Mar Pod 8, Sections Four and Five and does not own any additional developable but undeveloped land in the District.

OGC Lago Mar Apartments II LP, a Texas limited partnership (“OGC Lago Mar”) acquired approximately 7 acres of land from Land Tejas Texas City for the development of Catalon at Lago Mar Apartments and has completed the construction of a 170-unit apartment community. OGC Lago Mar does not own any additional developable but undeveloped land in the District.

Huntington Lago Mar Partners Ltd. (“Huntington Lago Mar”) acquired approximately 6 acres of land from Land Tejas Texas City for the development of Boterra at Lago Mar Apartments and has completed the construction of a 148-unit apartment community. Huntington Lago Mar does not own any additional developable but undeveloped land in the District.

Land Tejas Texas City, Astro Lago Mar, LGI, M/I Homes, BC Lago Mar, WB Largo Mar, OGC Lago Mar and Huntington Lago Mar are collectively referred to herein as the “Developers.” See “RISK FACTORS—Dependence on Principal Taxpayers and the Developers,” “THE DEVELOPERS” and “TAX DATA—Principal Taxpayers.”

Status of Development...

The District is being developed as part of the master-planned community of Lago Mar. Single-family residential development in the District currently includes 1,065 single-family residential lots on approximately 248 acres. According to the Engineer and the Developers, as of September 1, 2023, 114 homes were completed, 77 homes were under construction or in the name of builder and 874 vacant developed lots were available for home construction. Of such 1,065 developed lots, 255 lots in Lago Mar, Pod 8, Section Nine-B and Pod 10, Sections One and Two are not currently connected to the power grid. According to the Developers, such lots are expected to be connected to the power grid by November 2023. See “RISK FACTORS—Transformer Shortage.” In addition, construction for 199 single-family residential lots is underway on approximately 53 acres with completion expected in the first quarter of 2024. Home sales prices in the District range from approximately \$260,000 to \$550,000.

Lot development for a single-family residential rental community consisting of 176 single-family residential rental lots has been completed on approximately 35 acres; as of the date hereof, no rental homes were under construction. Rental home construction is expected to commence in the fourth quarter of 2023.

In addition to single-family residential development, Catalon at Lago Mar Apartments (170 units) and Boterra at Lago Mar Apartments (148 units) have been constructed on approximately 13 acres and according to the respective apartment management are both approximately 93% occupied. A fire station, which is exempt from ad valorem taxation, has been constructed by the City of Texas City on approximately 5 acres. There are approximately 51 acres served with trunk utilities for commercial development. No vertical construction has commenced on such acreage. Further, there are approximately 114 acres of undeveloped but developable land and approximately 272 acres that are not developable (easements, right-of-way, drainage, open space, and utility sites).

Community amenities within the District include a pocket park with a playground. Additional amenities which are located in adjacent Galveston County Municipal Utility District No. 56 but are available for all residents of Lago Mar include a crystalline lagoon and a 12,000 square foot clubhouse with fitness center, conference rooms and restaurant.

Homebuilding... Homebuilders actively marketing or building homes in Lago Mar include Adams Homes, Westin Homes, Davidson Homes, Castlerock Homes, Ashton Woods, Colina Homes, Chesmar Homes, LGI Homes, M/I Homes, Tricoast Homes, Lennar Homes, Nuway Homes and History Maker Homes. See “THE DISTRICT—Homebuilding.”

Water and Wastewater... Water supply and wastewater treatment for the District is provided by the City and all revenues from the collection of charges for water and sewer services are paid directly to the City. See “UTILITY SERVICES AGREEMENT” and “THE SYSTEM.”

Payment Record... The Bonds are the District’s first issuance of debt. The District will capitalize twenty-four (24) months of interest from Bond proceeds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED).”

THE BONDS

Description... The \$11,625,000 Unlimited Tax Road Bonds, Series 2023 (the “Bonds”) are being issued pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the District’s Board of Directors (the “Board”) as fully registered bonds. The Bonds are scheduled to mature serially on June 1 in each of the years 2025 through 2034, both inclusive, and in each of the years 2037 through 2049, both inclusive, and as term bonds maturing on June 1, 2036 (the “Term Bonds”) in the principal amounts and accrue interest at the rates shown on the cover page hereof. Interest on the Bonds accrues from the Date of Delivery, and is payable June 1, 2024, and each December 1 and June 1 thereafter, until the earlier of maturity or redemption. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. See “THE BONDS.”

Book-Entry-Only System... The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”

Redemption... Bonds maturing on or after June 1, 2031 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on June 1, 2030, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

Use of Proceeds... Proceeds of the Bonds will be used to pay for construction and land acquisition costs as shown herein under the heading “USE AND DISTRIBUTION OF BOND PROCEEDS,” to capitalize twenty-four (24) months of interest on the Bonds, to pay interest on funds advanced by the Developers on behalf of the District, and to pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

<i>Authority for Issuance...</i>	The Bonds are the first series of bonds issued out of an aggregate of \$63,365,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of purchasing and constructing a roadway system and the refunding of such bonds. The Bonds are issued by the District pursuant to the terms and provisions of Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas, and a resolution authorizing the issuance of the Bonds (the "Bond Resolution"). See "RISK FACTORS—Future Debt" and "THE BONDS—Authority for Issuance," and "—Issuance of Additional Debt."
<i>Source of Payment...</i>	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the City, Galveston County, the State of Texas or any entity other than the District. See "THE BONDS—Source of Payment."
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."
<i>Not Qualified Tax-Exempt Obligations...</i>	The Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.
<i>Bond Counsel...</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS" and "TAX MATTERS."
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	BOKF, NA in Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

RISK FACTORS

The purchase and ownership of the Bonds are subject to special risk factors and all prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned "RISK FACTORS."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2023 Certified Taxable Assessed Valuation.....	\$ 99,622,138	(a)
Estimated Taxable Assessed Valuation as of August 1, 2023	\$132,134,408	(b)
Gross Direct Debt Outstanding (the Bonds).....	\$11,625,000	(c)
Estimated Overlapping Debt	<u>2,158,957</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$13,783,957	
Ratios of Gross Direct Debt to:		
2023 Certified Taxable Assessed Valuation	11.67%	
Estimated Taxable Assessed Valuation as of August 1, 2023	8.80%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2023 Certified Taxable Assessed Valuation.....	14.00%	
Estimated Taxable Assessed Valuation as of August 1, 2023	10.56%	
Debt Service Funds Available:		
Capitalized Interest from Bond Proceeds (Twenty-Four (24) Months).....	\$1,280,700	(e)
Operating Funds Available as of September 27, 2023	\$290,458	(f)
2023 Debt Service Tax Rate.....	\$0.00	(g)
2023 Maintenance Tax Rate.....	<u>0.98</u>	
2023 Total Tax Rate.....	\$0.98	
Average Annual Debt Service Requirement (2024-2049).....	\$830,308	(h)
Maximum Annual Debt Service Requirement (2049).....	\$871,781	(h)
Tax Rates Required to Pay Average Annual Debt Service (2024-2049) at a 90% Collection Rate		
Based upon 2023 Certified Taxable Assessed Valuation	\$0.93	(i)
Based upon Estimated Taxable Assessed Valuation as of August 1, 2023	\$0.70	(i)
Tax Rates Required to Pay Maximum Annual Debt Service (2049) at a 90% Collection Rate		
Based upon 2023 Certified Taxable Assessed Valuation	\$0.98	(i)
Based upon Estimated Taxable Assessed Valuation as of August 1, 2023	\$0.74	(i)
Status of Development as of September 1, 2023 (j):		
Total Developed Lots.....	1,065	
Lots Under Construction	199	
Completed Homes.....	114	
Homes Under Construction or in the Name of a Builder	77	
Lots Available for Construction	874	
Multi-Family Units.....	318	
Estimated Population	1,035	(k)

- (a) As certified by the Galveston Central Appraisal District (the “Appraisal District”). See “TAXING PROCEDURES.”
- (b) Provided by the Appraisal District for information purposes only. Such amount reflects the estimated value of land and improvements on August 1, 2023. Increases in value occurring between January 1, 2023 and August 1, 2023 will be certified for the purposes of taxation on January 1, 2024 and provided for purposes of taxation in late summer of 2024. No taxes will be levied upon such amount until it is certified by the Appraisal District. See “TAXING PROCEDURES.”
- (c) After the issuance of the Bonds.
- (d) See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt.”
- (e) The District will capitalize twenty-four (24) months of interest from Bond proceeds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- (f) In fiscal year ending 2023, the District received \$8,804,485 from the Lago Mar Development Authority for ongoing construction costs related to an approximately 100 acre detention/amenity lake in the District. The balance is approximately \$2,320,055 (unaudited) and is excluded from the above operating fund balance. See “THE DISTRICT—Land Use.”
- (g) The District expects to levy its initial debt service tax in 2024.
- (h) See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”
- (i) See “RISK FACTORS—Possible Impact on District Tax Rates.” “TAX DATA—Tax Adequacy for Debt Service.”
- (j) See “THE DISTRICT—Status of Development.”
- (k) Based upon 3.5 persons per single-family residence and 2 persons per multi-family unit.

OFFICIAL STATEMENT

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 59 *(A political subdivision of the State of Texas located within Galveston County)*

\$11,625,000

UNLIMITED ROAD TAX BONDS SERIES 2023

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Galveston County Municipal Utility District No. 59 (the “District”) of its \$11,625,000 Unlimited Tax Road Bonds, Series 2023 (the “Bonds”).

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of the State of Texas, an election held within the District and a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, certain other information about the District, Land Tejas Texas City, Ltd. (“Land Tejas Texas City”), Astro Lago Mar LP, a Delaware limited partnership (“Astro Lago Mar”), LGI Homes – Texas LLC, a Texas limited liability company (“LGI”), M/I Homes of Houston, LLC, a Delaware limited liability company (“M/I Homes”), BC Lago Mar, LLC, a Texas limited liability company (“BC Lago Mar”), WB Largo Mar Pod 8 Land, LLC, a Texas limited liability company (“WB Largo Mar”), OGC Lago Mar Apartments II LP, a Texas limited partnership (“OGC Lago Mar”), Huntington Lago Mar Partners Ltd. (“Huntington Lago Mar”) and development activity in the District. Land Tejas Texas City, Astro Lago Mar, LGI, M/I Homes, BC Lago Mar, WB Largo Mar, OGC Lago Mar and Huntington Lago Mar are collectively referred to herein as the “Developers.” All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

RISK FACTORS

General

The Bonds are obligations solely of the District and are not obligations of the City of Texas City, Texas (the “City”), Galveston County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District’s bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See “THE BONDS—Source of Payment.” The collection by the District of delinquent taxes owed to it and the enforcement by 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 taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See “Registered Owners’ Remedies” below.

Undeveloped Acreage and Vacant Lots

There are approximately 218 developable acres of land within the District that have not been fully provided with water, wastewater and storm drainage facilities necessary to the construction of new development (including approximately 53 acres under construction for the development of 199 single-family residential lots and 51 acres served by trunk utilities for commercial use), 874 single-family residential lots remain vacant and approximately 51 acres of commercial tracts served with trunk utilities remain vacant. Failure of the Developers to develop the developable land or of builders to construct homes or taxable improvements on the developed lots could restrict the rate of growth of taxable values in the District. The District makes no representation as to when or if development of the undeveloped acreage will occur or if vertical construction on the commercial acreage will occur or that the lot sales and building program will be successful. See “THE DISTRICT—Land Use” and “—Status of Development.”

Developers/Property Owners Obligation to the District

There are no commitments from or obligations of the Developers or any other landowner to the District to proceed at any particular rate or according to any specified plan with the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land could restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds, continued development of taxable property within the District will increase or maintain its taxable value.

Transformer Shortage

The construction and sale of new homes in the District is subject to various risk factors, including shortages in obtaining materials. Recently, the Developers have reported difficulties and long delays in obtaining the electrical transformers needed to transform high voltage in electrical power lines to the low voltage used in homes as a result of ongoing supply chain issues throughout the country. Without transformers, new homes cannot be connected to the power grid. Historically, transformers have been installed within thirty (30) to ninety (90) days after homebuilders begin the construction of homes on vacant lots and delays in receiving transformers is currently approximately five to six months. If delays and the lack of availability of transformers continues, homebuilders may be unwilling to purchase lots in the District or to begin construction of homes on lots already purchased. As of September 1, 2023, 255 lots in Lago Mar, Pod 8, Section Nine-B and Pod 10, Sections One and Two are not currently connected to the power grid. According to the Developers, such lots are expected to be connected to the power grid in the fourth quarter of 2023. The delay of construction of new homes in the District could impact the future growth of the District's tax base. The delays being experienced by the Developers in the District are delays that are being experienced throughout the region and nationally. See "THE DISTRICT—Status of Development."

Dependence on Principal Taxpayers and the Developers

The ten top taxpayers represent \$57,080,875 or 57.29% of the 2023 Certified Taxable Assessed Valuation of \$99,622,138 within the District as of January 1, 2023. The Developers represent \$41,513,535 or 41.67% of the 2023 Certified Taxable Assessed Valuation. See "THE DEVELOPERS" and "TAX DATA—Principal Taxpayers." A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of August 1, 2023, of \$132,134,408 is not available. The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay taxes in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Road Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes could have a material adverse effect upon the District's ability to pay debt service on the Bonds.

None of the Developers nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of any information related to any proposed development should not be interpreted as a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic conditions or governmental circumstances may have on any plans of the Developers or any other landowners.

Economic Factors and Interest Rates

The majority of the taxable value of the District results from the current market value of single-family residences, multi-family development, and of developed lots which are currently being marketed by the Developers for sale to homebuilders and homebuyers for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in the Houston-Galveston region and the national economy and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Markets and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 30 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the greater Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the Houston metropolitan area and the nation could adversely affect development in the District and restrain the growth of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is 30 miles from downtown Houston, could be affected by competition from other residential developments located in the southern portion of the Houston metropolitan area. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developers in the sale of developed lots and the construction of single-family residential houses within the District by homebuilders is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District. The District can give no assurance that building and marketing programs in the District by the Developers and their affiliates will be implemented or, if implemented, will be successful.

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2023 Certified Taxable Assessed Valuation is \$99,622,138. After issuance of the Bonds, the maximum debt service requirement will be \$871,781 (2049), and the average annual debt service requirement will be \$830,308 (2024-2049, inclusive). Assuming no increase or decrease from the 2023 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.98 and \$0.93 per \$100 taxable assessed valuation at a ninety percent (90%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively. The Estimated Taxable Assessed Valuation as of August 1, 2023 is \$132,134,408, which reduces the above calculations to \$0.74 and \$0.70 per \$100 of taxable assessed valuation, respectively.

While the District anticipates future increases in taxable values, it makes no representations that over the term of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that the Estimated Taxable Assessed Valuation as of August 1, 2023 will ultimately be certified. Property within the District also is subject to taxes levied by other political subdivisions. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes” and “TAX DATA—Tax Adequacy for Debt Service.”

Potential Effects of Oil Price Volatility 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 or homebuilding activity within the District. The District cannot predict the impact that negative conditions in the oil and gas industry could have on property values in the District.

Extreme Weather Events

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

Specific Flood Type 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.

Coastal (or Storm Surge) Flood: Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves, and low atmospheric pressure. Storm surge is extremely dangerous, because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

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 Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, 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 Resolution 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.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901- 946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires 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. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. After reimbursement with Bond proceeds, the District will continue to owe the Developers approximately \$60,110,000 plus interest for advances to construct the currently existing water, wastewater, drainage, road, and recreational facilities. The District expects to issue additional bonds in order to reimburse the Developers for their outstanding obligations and the cost of additional water, wastewater and road facilities constructed within the undeveloped portion of the District. The District's voters have authorized a total of \$302,910,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities and for the further purpose of refunding such bonds, a total of \$63,365,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing a roadway system and for the further purpose of refunding such bonds, and a total of \$90,620,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities and for the further purpose of refunding such bonds. After the issuance of the Bonds, \$51,740,000 principal amount of unlimited tax bonds will remain authorized but unissued for the purpose of acquiring or constructing a roadway system and refunding of such bonds, all of the unlimited tax bonds authorized for acquiring or constructing water, wastewater and drainage facilities and for the purpose of refunding such bonds and for acquiring or constructing parks and recreational facilities and refunding of such bonds remains authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for water, wastewater and drainage facilities and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

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 two separate federal ozone standards: the 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.

The HGB Area is currently designated as a “severe” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

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

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

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

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) (“CGP”), with an effective date of March 5, 2023, 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. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. In order to maintain MS4 Permit compliance, the District is partnering with the city of Texas City (the “City”), to participate in the City’s program to develop, implement, and maintain the required plan (the “MS4 Permit Plan”) as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City’s MS4 Permit Plan in order to obtain MS4 Permit compliance with the TCEQ. If at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary 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.

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection.

While the *Sackett* decision removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Marketability of the Bonds

The District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds 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.

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.

Continuing Compliance with Certain Covenants

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into an agreement with Build America Mutual Assurance Company (“BAM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE.”

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer (the “Insurer”) and its claim paying ability. The 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 Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE.”

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

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the 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 Insurer, particularly over the life of the investment. See “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

THE BONDS

Description

The Bonds will be dated November 1, 2023 and accrue interest from the Date of Delivery, with interest payable each June 1 and December 1, beginning June 1, 2024 (the “Interest Payment Date”), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed BOKF, NA in Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the May 15 or November 15 immediately preceding each Interest Payment Date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar’s records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remains 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 appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, 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 costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Galveston County, the City, or any entity other than the District.

Funds

In the Bond Resolution, the Road Debt Service Fund is created and the proceeds from all taxes levied, appraised and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund. The District shall also create a capital projects fund account for roads to deposit proceeds from the Bonds and any additional road bonds (the “Road Capital Projects Fund”).

Twenty-four (24) months of capitalized interest will be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Road Capital Projects Fund, to be used for the purpose of reimbursing certain of the Developers for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Road Capital Projects Fund after completion of construction of the entire road system will be used as described in the Bond Resolution or ultimately transferred to the Road Debt Service Fund. See “USE AND DISTRIBUTION OF BOND PROCEEDS” for a complete description of the use of Bond proceeds and the projects related thereto.

Redemption Provisions

Mandatory Redemption: The Bonds maturing on June 1, 2036 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on June 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

\$785,000 Term Bonds	
Due June 1, 2036	
Mandatory Redemption Date	Principal Amount
2035	\$ 380,000
2036 (maturity)	405,000

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

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after June 1, 2031, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on June 1, 2030, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At a bond election held within the District, voters of the District authorized the issuance of \$63,365,000 principal amount of unlimited tax bonds for the purpose of purchasing or constructing a roadway system and for the purpose of refunding such bonds. The Bonds are issued pursuant to such authorization.

The Bonds are issued pursuant to the terms and conditions of the Bond Resolution, Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

No Arbitrage

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

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. 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/Registrar for the Bonds.

Issuance of Additional Debt

At a bond election held within the District on November 5, 2019, voters of the District authorized the issuance of \$302,910,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities and for refunding such bonds, \$90,620,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities and for refunding such bonds and \$63,365,000 principal amount of unlimited tax bonds for purchasing and constructing a roadway system and for refunding such bonds and could authorize additional amounts. After the issuance of the Bonds, \$51,740,000 principal amount of unlimited tax bonds will remain authorized but unissued for the purpose of acquiring or constructing a roadway system and refunding of such bonds and all of the unlimited tax bonds authorized for acquiring or constructing water, wastewater and drainage facilities and for refunding such bonds and for acquiring or constructing parks and recreational facilities and refunding of such bonds remains authorized but unissued. The Bonds constitute the first issuance of bonds by the District. See “RISK FACTORS—Future Debt.”

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District issues park bonds payable from taxes, the following actions are required: (a) approval of the park plan and bonds by the TCEQ; and (b) approval of the bonds by the City and Attorney General of Texas. Further, the principal amount of unlimited tax bonds issued by the District for constructing and/or acquiring park and recreational facilities may not exceed one percent (1%) of the District’s certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. At an election held in the District, voters approved \$90,620,000 principal amount of unlimited tax park bonds the purpose of acquiring or constructing parks and recreational facilities and for refunding such bonds, all of which remains authorized but unissued. See “RISK FACTORS—Future Debt.”

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (a) approval of a detailed fire plan by the TCEQ; (b) authorization of the detailed fire plan and bonds for such purpose by the qualified voters in the District; (c) approval of the bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered preparing a fire plan or calling an election at this time for such purposes.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District. The District expects to issue additional bonds in order to reimburse the Developers for the cost of water, wastewater and drainage facilities, recreational facilities and roadways constructed within the District. Issuance of any additional bonds could dilute the investment security for the Bonds.

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.

Dissolution by the City of Texas City

Under existing Texas law, because the District lies wholly within the corporate limits of the City, the District must conform to a City ordinance consenting to the creation of the District. In addition, the District may be dissolved by the City without the District’s consent. If the District is dissolved, the City will assume the District’s assets and obligations (including the Bonds). Dissolution of the District by the City is a policy matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that dissolution will or will not occur and makes no representation of the City’s financial capability to pay debt service on the Bonds if such dissolution were to occur.

Remedies in Event of Default

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 Resolution, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government’s sovereign immunity from suits for money damages, 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 Resolution 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. See “RISK FACTORS—Registered Owners’ Remedies and Bankruptcy Limitations.”

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality

by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to the 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.

BOOK-ENTRY-ONLY SYSTEM

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

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser 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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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 the District (or the Trustee on behalf thereof) 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).

Principal, premium, if any, interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

UTILITY SERVICES AGREEMENT

All land in the District is located within the corporate limits of the City. The City and the District have entered into a utility services agreement, effective November 1, 2021 (the "Utility Services Agreement") as amended and supplemented, which obligates the District to acquire, construct and extend water, wastewater and storm drainage facilities (the "System") to serve land in the District and, when completed in accordance with plans and specifications approved by the City, to convey title to such utility facilities to the City. The City operates and maintains such facilities, and is responsible for establishing water and sewer rates and collecting charges for water and sewer service within the District. Detention facilities may be conveyed to Galveston County Drainage District No. 1 or maintained by the District. Pursuant to the Utility Services Agreement, the District purchases capacity in the City's water supply and wastewater treatment facilities by paying a Capital Recovery Fee to the City and the City provides permanent water supply and wastewater treatment to the land within the District. The amount of such Capital Recovery Fee may be changed by the City from time to time and at any time, subject to certain limitations imposed by state law. The City also levies and collects ad valorem taxes on all taxable property within the District just as it does with any other taxable property located in the City.

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by BGE, Inc., the District’s engineer (the “Engineer”). Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and Masterson Advisors LLC (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 certain agreed-upon procedures by the District’s auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used.

CONSTRUCTION COSTS

• Paving Improvements to Serve:	
Lago Mar Extension from Fashion Way to GCWA Canal	\$ 914,424
Pod 8 Collector Road	926,107
Starboard Reach, Extension No. Two, Hughes Road Extension No. Two	1,243,640
Pod 8, Section One	910,643
Pod 8, Section Two	965,372
Pod 8, Section Three	728,822
Pod 8, Section Six	855,567
Pod 8, Section Seven	1,027,948
• Land Acquisition Costs for Right-of-Way	1,131,242
Total Construction Costs	\$ 8,703,765

NON-CONSTRUCTION COSTS

• Underwriter's Discount (a)	348,589
• Capitalized Interest (Twenty-Four (24) Months) (a)	1,280,700
• Developer Interest	653,895
Total Non-Construction Costs	\$ 2,283,184

ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees	\$ 542,215
• Bond Engineering Report	30,000
• Attorney General Fee	9,500
• Contingency (a)	56,337
Total Issuance Costs and Fees	\$ 638,052
TOTAL BOND ISSUE	\$ 11,625,000

(a) Contingency represents the difference in the estimated and actual amounts of capitalized interest and Underwriter’s discount.

THE DISTRICT

General

The District is a political subdivision of the State of Texas created by an order of the TCEQ on February 21, 2007 and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 791 acres of land.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, if approved by the City, the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance park and recreational facilities and roads.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation from the City, within which the District is located, the District is required to observe certain requirements of the City consent ordinance which: limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, park and recreational facilities and roads; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to lots and commercial or multi-family reserves described in plats which have been approved by the Planning Commission of the City and recorded in the real property records. Construction and operation of the District’s system is subject to the regulatory jurisdiction of additional governmental agencies. See “THE SYSTEM—Regulation.”

Description and Location

The District consists of approximately 791 acres of land and is located approximately 30 miles southeast of the central downtown business district of the City of Houston and lies wholly within the corporate limits of the City. The District is bordered on the east by Galveston County Municipal Utility District Nos. 54 and 56 and Interstate Highway 45 and is intersected by the Gulf Coast Water Authority Canal. It is located approximately one and one-half miles northwest of the intersection of Interstate Highway 45 and the Emmett F. Lowery Expressway on the west side of Interstate Highway 45 and access is provided by Lago Mar Boulevard, Hughes Road, Fashion Way and Outlets Boulevard from the Interstate Highway 45 southbound feeder road. See “AERIAL LOCATION MAP.”

Land Use

The District currently includes approximately 248 acres of single-family residential development (1,065 lots), approximately 35 acres of single-family residential rental development (176 lots), approximately 5 acres for a City of Texas City Fire Station, which is exempt from ad valorem taxation, approximately 13 acres of multi-family residential development (318 units), approximately 114 acres of undeveloped but developable land, approximately 51 acres served with trunk utilities for commercial development and approximately 272 acres of undevelopable land. The table below represents a detailed breakdown of the current acreage and development in the District.

	Approximate <u>Acres</u>	<u>Lots/Units</u>
<i><u>Single-Family Residential:</u></i>		
Lago Mar Pod 8:		
Section One.....	17	83
Section Two.....	17	88
Section Three.....	8	34
Section Four (a).....	17	81
Section Five (a).....	18	95
Section Six.....	16	58
Section Seven.....	24	100
Section Eight.....	14	61
Section Nine-A.....	13	52
Section Nine-B (b).....	14	68
Section Ten.....	10	43
Lago Mar Pod 9:		
Section One.....	50	199
Section Two (c).....	53	199
Lago Mar Pod 10:		
Section One (b).....	16	74
Section Two (b).....	29	113
Section Three.....	20	92
Subtotal.....	336	1,440
Multi-Family Residential.....	13	318
City of Texas City Fire Station (tax-exempt).....	5	--
Future Development.....	114	--
Commercial (d).....	51	--
Undevelopable (e).....	272	--
Subtotal.....	455	318
Totals.....	791	1,758

- (a) Developed as a rental home community.
- (b) Lots are not currently connected to the power grid. See “RISK FACTORS—Transformer Shortage.”
- (c) Under construction with estimated completion in the first quarter of 2024.
- (d) Represents acreage planned for commercial use. Such acreage is served with trunk utilities for commercial use but no vertical construction has commenced.
- (e) Includes easements, right-of-way, open space, utility sites and drainage including an approximately 100 acre detention/amenity lake currently under construction.

Status of Development

Single-Family Residential: The District is being developed as part of the master-planned community of Lago Mar. Single-family residential development in the District currently includes 1,065 single-family residential lots on approximately 248 acres. According to the Engineer and the Developers, as of September 1, 2023, 114 homes were completed, 77 homes were under construction or in the name of builder and 874 vacant developed lots were available for home construction. Of such 1,065 developed lots, 255 lots in Lago Mar, Pod 8, Section Nine-B and Pod 10, Sections One and Two are not currently connected to the power grid. According to the Developers, such lots are expected to be connected to the power grid by November 2023. See “RISK FACTORS—Transformer Shortage.” In addition, construction for 199 single-family residential lots is underway on approximately 53 acres with completion expected in the first quarter of 2024. Home sales prices in the District range from approximately \$260,000 to \$550,000.

Single-Family Residential Rental: A single-family residential rental community consisting of 176 single-family residential rental lots has been developed on approximately 35 acres. As of the date hereof, no rental homes were under construction. The rental homes are planned to have an approximate square footage ranging from 1,724 to 1,906 square feet and rental home construction is expected to commence in November 2023.

Multi-Family: In addition to single-family residential development, Catalon at Lago Mar Apartments (170 units) and Boterra at Lago Mar Apartments (148 units) have been constructed on approximately 13 acres and according to the respective apartment management are both approximately 93% occupied.

Commercial: There are approximately 51 acres planned for commercial served with trunk utilities. No vertical construction has commenced on such commercial acreage.

Community amenities within the District include a pocket park with a playground. Additional amenities which are located in adjacent Galveston County Municipal Utility District No. 56 but are available for all residents of Lago Mar include a crystalline lagoon and a 12,000 square foot clubhouse with fitness center, conference rooms and restaurant.

Homebuilding

Homebuilders actively marketing or building homes in Lago Mar include Adams Homes, Westin Homes, Davidson Homes, Castlerock Homes, Ashton Woods, Colina Homes, Chesmar Homes, LGI Homes, M/I Homes, Tricoast Homes, Lennar Homes, Nuway Homes, and History Maker Homes.

THE DEVELOPERS

Role of a Developer

The activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developer or third parties. While a developer is required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective Bond purchasers should note that the prior real estate experience of the Developers should not be construed as an indication that further development within the District will occur, or that 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. See “RISK FACTORS—Dependence on Principal Taxpayers.”

Land Tejas Texas City, Ltd and Astro Lago Mar LP

The developer of land within the District is Land Tejas Texas City, Ltd. (“Land Tejas Texas City”). The general partners of Land Tejas are Brende Lago Mar, L.L.C, a Texas limited liability company and Grover Lago Mar, L.L.C., a Texas limited liability company. Land Tejas Texas City owned approximately 514 acres of developable but undeveloped land in the District at the time the District was created and has conveyed approximately 279 acres of developable but undeveloped land that it owned to Land Tejas Lago Mar LLC, a Texas limited liability company (“Land Tejas Lago Mar”) and approximately 158 acres to LGI (as herein defined). Land Tejas Texas City also conveyed 13 acres where two apartment communities have been constructed in the District and continues to own approximately 64 acres of undeveloped but developable land in the District, of which approximately 51 acres are served with trunk utilities.

In 2022, Astro Lago Mar LP, a Delaware limited partnership (“Astro Lago Mar”) acquired approximately 179 acres of developable but undeveloped land in the District from Land Tejas Lago Mar. Astro Lago Mar was created by a joint venture that included Mr. Al P. Brende and Starwood Land Astro Venture LP. Astro Lago Mar is a special purpose entity established solely for the purpose of developing and marketing such developable but undeveloped land within the District. Astro Lago Mar has an agreement with Land Strategies Management LLC, who has entered into a management agreement with the Land Tejas companies for the management of the day-to-day development activities within the District. Astro Lago Mar has developed 587 single-family residential lots on approximately 133 acres within Lago Mar Pod 8, Sections One through Three and Sections Six through Ten. According to Astro Lago Mar, 68 single-family residential lots within Lago Mar Pod 8, Sections 9-B are not currently connected to the power grid. According to Astro Lago Mar, such lots are expected to be connected to the power grid by November 2023. See “RISK FACTORS—Transformer Shortage.” Astro Lago Mar continues to own approximately 46 acres of developable but undeveloped land in the District. See “RISK FACTORS—Dependence on Principal Taxpayers and the Developers” and “TAX DATA—Principal Taxpayers.”

LGI Homes—Texas, LLC

In 2019 and 2020, LGI Homes—Texas LLC, a Texas limited liability company (“LGI”) acquired approximately 158 acres of developable land from Land Tejas Texas City for the development of Lago Mar, Pod 9. LGI has developed 199 single-family residential lots on approximately 50 acres within Lago Mar Pod 9, Section One. LGI contracted with AG EHC II (LGIH) Multi State 3 LLC, a special purpose entity formed by Angelo, Gordon & Co. for the purpose of purchasing the developed vacant lots and selling them back to LGI as needed for homebuilding. LGI is the sole homebuilder in Lago Mar Pod 9 and continues to own approximately 53 acres of land in the District where construction is underway for the development of 199 single-family residential lots with an expected completion in the first quarter of 2024 and 55 acres of developable but undeveloped land in the District.

M/I Homes of Houston, LLC

M/I Homes of Houston, LLC, a Delaware limited liability company (“M/I Homes”) acquired approximately 36 acres of developable land from Land Tejas Lago Mar. M/I Homes is wholly-owned by M/I Homes, Inc., an Ohio corporation, whose common stock is listed on the New York Stock Exchange under the symbol MHO. M/I Homes has developed 166 single-family residential lots on the entire approximately 36 acres within Lago Mar Pod 10, Sections One and Three, all of which are not currently connected to the power grid. According to M/I Homes, 74 single-family residential lots in Pod 10, Section One are not currently connected to the power grid and are expected to be connected to the power grid by November 2023. See “RISK FACTORS—Transformer Shortage.” Davidson Homes LLC has contracted with M/I Homes to purchase all of the 166 single-family residential lots in Pod 10, Section Two. M/I Homes does not own any additional developable but undeveloped land in the District.

BC Lago Mar, LLC

BC Lago Mar, LLC, a Texas limited liability company (“BC Lago Mar”) acquired approximately 29 acres of developable land from Land Tejas Lago Mar. BC Lago Mar is a special purpose entity formed by Davidson Homes LLC, a privately held homebuilding company with headquarters in Huntsville, Alabama. BC Lago Mar has developed 113 single-family residential lots on the entire approximately 29 acres within Lago Mar Pod 10, Section Two all of which are not currently connected to the power grid. According to BC Lago Mar, such lots are expected to be connected to the power grid by November 2023. See “RISK FACTORS—Transformer Shortage.” Davidson Homes LLC is the sole homebuilder in Pod 10, Section Two and does not own any additional developable but undeveloped land in the District. .

WB Largo Mar Pod 8 Land, LLC

WB Largo Mar Pod 8 Land, LLC, a Texas limited liability company (“WB Largo Mar”) acquired approximately 35 acres of developable land from Land Tejas Lago Mar. WB Largo Mar is a special purpose entity formed by Wan Bridge Group, a Texas based build-to-rent home developer and builder, for the sole purpose of developing a single-family residential rental community consisting of 176 single-family residential lots within Lago Mar Pod 8, Sections Four and Five. WB Largo Mar is the sole homebuilder within Lago Mar Pod 8, Sections Four and Five and does not own any additional developable but undeveloped land in the District.

OGC Lago Mar Apartments II LP

OGC Lago Mar Apartments II LP, a Texas limited partnership (“OGC Lago Mar”) acquired approximately 7 acres of land from Land Tejas Texas City for the development of Catalan at Lago Mar Apartments and has completed the construction of a 170-unit apartment community. OGC Lago Mar does not own any additional developable but undeveloped land in the District. See “RISK FACTORS—Dependence on Principal Taxpayers and the Developers” and “TAX DATA—Principal Taxpayers.”

Huntington Lago Mar Partners Ltd.

Huntington Lago Mar Partners Ltd. (“Huntington Lago Mar”) acquired approximately 6 acres of land from Land Tejas Texas City for the development of Boterra at Lago Mar Apartments and has completed the construction of a 148-unit apartment community. Huntington Lago Mar does not own any additional developable but undeveloped land in the District. See “RISK FACTORS—Dependence on Principal Taxpayers and the Developers” and “TAX DATA—Principal Taxpayers.”

Neither Land Tejas Texas City, Astro Lago Mar, LGI, M/I Homes, BC Lago Mar, WB Largo Mar, OGC Lago Mar or Huntington Lago Mar nor any other property owner is responsible for, liable for, or has made any commitment for payment of the Bonds or other obligations of the District. Neither Land Tejas Texas City, Astro Lago Mar, LGI, M/I Homes, BC Lago Mar, WB Largo Mar, OGC Lago Mar or Huntington Lago Mar nor any other property owner have any legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of their property within the District, or any other assets, at any time. See “RISK FACTORS—Developers/Property Owners Obligation to the District” and “—Dependence on Principal Taxpayers and the Developers.”

Major Property Owner

Holland 45 Development, Ltd. owns approximately 4 acres of developable but undeveloped land in the District. The District is not aware of any plans to develop such acreage. See “TAX DATA—Principal Taxpayers.”

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May in even numbered years only. None of the Board members reside within the District, however, each of the Board members own land within the District subject to a note and deed of trust in favor of Land Tejas. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
Bob D. Boozer, P.E., CDP	President	May 2024
Greg Tilton	Vice President	May 2026
Merrill "Sonny" Whitehead, III	Assistant Vice President	May 2024
Christopher Hutcheson	Secretary	May 2026
Scott R. Butler	Assistant Secretary	May 2026

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District’s bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

Financial Advisor: Masterson Advisors LLC serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: The financial statements of the District as of March 31, 2023, and for the year then ended, included in this offering document, have been audited by FORVIS, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s audited financial statements for the year ended March 31, 2023.

Engineer: The District’s consulting engineer is BGE, Inc.

Tax Appraisal: The Galveston Central Appraisal District has the responsibility of appraising all property within the District. See “TAXING PROCEDURES.”

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Assessments of the Southwest, Inc. (the “Tax Assessor/Collector”) has been employed by the District to serve in this capacity.

Bookkeeper: The District has contracted with Myrtle Cruz, Inc. for bookkeeping services.

THE SYSTEM

Regulation

Construction and operation of the water, wastewater and storm drainage system serving the District (the “System”) as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Construction of water, wastewater and storm drainage facilities is subject to the regulatory authority of the City and Galveston County. The TCEQ also exercises regulatory jurisdiction over portions of the System.

Water Supply and Wastewater Treatment

Permanent water supply and wastewater treatment for the District are provided by the City. The District pays impact fees to the City and is then allocated equivalent single-family connections for water supply and wastewater treatment, respectively. The District has been allocated 509 equivalent single-family connections from the City to date for water supply and wastewater treatment. The District currently serves 509 equivalent single-family connections including 318 apartment units, 114 completed homes and 77 homes under construction or in the name of a builder. Water supply and wastewater treatment capacities for future development may require additional water supply and wastewater treatment capacity allocations by the City as provided in the Utility Services Agreement. See “UTILITY SERVICES AGREEMENT.”

Water and wastewater revenues derived from the collection of charges for water and sewer services are paid directly to the City by users.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

The District has constructed water distribution, wastewater collection, storm drainage and paving facilities to serve 1,065 single-family residential lots, 176 single-family residential rental lots, 318 apartment units and construction is underway for an additional 199 single-family residential lots with an expected completion in the first quarter of 2024. Additionally, there are 51 acres served by trunk utilities for commercial usage. See “THE DISTRICT—Status of Development.”

Ownership and Operations

The District (or the Developers on behalf of the District) finances and constructs the System, and thereafter conveys the components of the System to the City upon completion, subject to the District’s capacity rights and the Developers’ reimbursement rights pursuant to the Utility Services Agreement. The System is owned, maintained, and operated by the City. The City charges and collects the fees associated with the System. The District receives no revenues from the operation of the System; funds for the administration of the District are available from maintenance tax revenue. See “UTILITY SERVICES AGREEMENT.”

100-Year Flood Plain

“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 rain storm 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 no assurance that homes built in such area will not be flooded. The District’s drainage system has been designed and constructed to all current standards. Further, the Flood Insurance Rate Map associated with the District indicates that none of the land in the District is located within the effective 100-year flood plain. See “RISK FACTORS—Extreme Weather.”

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.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2023 Certified Taxable Assessed Valuation.....	\$ 99,622,138	(a)
Estimated Taxable Assessed Valuation as of August 1, 2023	\$132,134,408	(b)
Gross Direct Debt Outstanding (the Bonds).....	\$11,625,000	(c)
Estimated Overlapping Debt	<u>2,158,957</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$13,783,957	
Ratios of Gross Direct Debt to:		
2023 Certified Taxable Assessed Valuation	11.67%	
Estimated Taxable Assessed Valuation as of August 1, 2023	8.80%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2023 Certified Taxable Assessed Valuation.....	14.00%	
Estimated Taxable Assessed Valuation as of August 1, 2023	10.56%	
Debt Service Funds Available:		
Capitalized Interest from Bond Proceeds (Twenty-Four (24) Months)	\$1,280,700	(e)
Operating Funds Available as of September 27, 2023	\$290,458	(f)

- (a) As certified by the Appraisal District. See “TAXING PROCEDURES.”
- (b) Provided by the Appraisal District for information purposes only. Such amount reflects the estimated value of land and improvements on August 1, 2023. Increases in value occurring between January 1, 2023 and August 1, 2023 will be certified for the purposes of taxation on January 1, 2024 and provided for purposes of taxation in late summer of 2024. No taxes will be levied upon such amount until it is certified by the Appraisal District. See “TAXING PROCEDURES.”
- (c) After the issuance of the Bonds.
- (d) See “—Estimated Overlapping Debt” herein.
- (e) The District will capitalize twenty-four (24) months of interest from Bond proceeds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- (f) In fiscal year ending 2023, the District received \$8,804,485 from the Lago Mar Development Authority for ongoing construction costs related to an approximately 100 acre detention/amenity lake in the District. The balance of such funds is approximately \$2,320,055 (unaudited) and is excluded from above operating fund balance. See “THE DISTRICT—Land Use.”

Investments of the District

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

General Operating Fund

The System is owned and operated by the City and no water and sewer revenue is received by the District nor is the District responsible for operation, repair or maintenance of the System.

The following statement sets forth in condensed form the General Operating Fund as shown in the District’s audited financial statements for the fiscal years ended March 31, 2021 through March 31, 2023 and an unaudited summary, provided by the Bookkeeper for the period ended August 31, 2023. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to “APPENDIX A” for further and complete information.

	4/1/2023 to 8/31/2023 (Unaudited)	Fiscal Year Ended March 31		
		2023	2022	2021
Revenues:				
Property Taxes	\$ 50,000	\$ 419,355	\$ 474,345	\$ 115,035
Penalty and Interest	-	2,799	6,782	873
Investment Revenues	4,188	1,667	114	72
Total Revenue	\$ 54,188	\$ 423,821	\$ 481,241	\$ 115,980
Expenditures:				
Professional Fees	\$ 112,085	\$ 131,325	\$ 127,479	\$ 123,893
Contracted Services	2,125	10,987	10,620	10,340
Utilities	111	427	75	-
Repairs and Maintenance	35,024	95,404	62,248	42,625
Other Expenditures	5,129	15,755	16,565	15,586
Total Expenditures	\$ 154,474	\$ 253,898	\$ 216,987	\$ 192,444
NET REVENUES	\$ (100,287)	\$ 169,923	\$ 264,254	\$ (76,464)
Other Financing Sources (Uses)	\$ -	\$ -	\$ 15,000 (a)	\$ 45,000 (a)
General Operating Fund				
Balance (Beginning of Year)	\$ 502,004	\$ 332,081	\$ 52,827	\$ 84,291
General Operating Fund				
Balance (End of Year)	\$ 401,717	\$ 502,004 (b)	\$ 332,081	\$ 52,827

(a) Developer advance.

(b) Excludes approximately \$2,331,199 (unaudited) of funds received from Lago Mar Development Authority for ongoing construction costs related to an approximately 100 acre detention/amenity lake in the District. See “THE DISTRICT—Land Use.”

Debt Service Requirements

The following sets forth the debt service on the Bonds. This schedule does not reflect the fact that twenty-four (24) months of interest will be capitalized from Bond proceeds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Year	Debt Service on the Bonds		
	Principal	Interest	Total
2024	\$ -	\$ 645,686.25	\$ 645,686.25
2025	215,000	632,287.50	847,287.50
2026	225,000	615,787.50	840,787.50
2027	240,000	598,350.00	838,350.00
2028	255,000	579,787.50	834,787.50
2029	270,000	560,100.00	830,100.00
2030	285,000	539,287.50	824,287.50
2031	305,000	517,162.50	822,162.50
2032	320,000	494,125.00	814,125.00
2033	340,000	474,025.00	814,025.00
2034	360,000	456,525.00	816,525.00
2035	380,000	438,025.00	818,025.00
2036	405,000	418,400.00	823,400.00
2037	425,000	397,650.00	822,650.00
2038	450,000	375,775.00	825,775.00
2039	480,000	352,525.00	832,525.00
2040	510,000	327,775.00	837,775.00
2041	540,000	301,525.00	841,525.00
2042	570,000	273,418.75	843,418.75
2043	605,000	243,309.38	848,309.38
2044	640,000	211,406.25	851,406.25
2045	675,000	177,709.38	852,709.38
2046	715,000	142,090.63	857,090.63
2047	760,000	104,293.75	864,293.75
2048	805,000	64,190.63	869,190.63
2049	850,000	21,781.25	871,781.25
Total	\$ 11,625,000	\$ 9,962,998.75	\$ 21,587,998.75

Average Annual Debt Service Requirements (2024-2049) \$830,308
 Maximum Annual Debt Service Requirement (2049)..... \$871,781

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Galveston County	\$174,315,041	09/30/23	0.16%	\$ 278,904
City of Texas City	20,340,000	09/30/23	1.46%	296,964
College of the Mainland	154,975,000	09/30/23	0.54%	836,865
Dickinson Independent School District.....	466,390,000	09/30/23	0.16%	746,224
Total Estimated Overlapping Debt.....				\$ 2,158,957
The District's Total Direct Debt (a)				<u>11,625,000</u>
Total Direct and Estimated Overlapping Debt				\$13,783,957

Direct and Estimated Overlapping Debt as a Percentage of:

2023 Certified Taxable Assessed Valuation of \$99,622,138	14.00 %
Estimated Taxable Assessed Valuation as of August 1, 2023 of \$132,134,408	10.56 %

(a) The Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see Estimated Overlapping Debt" above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2023 tax year by all taxing jurisdictions and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	<u>Tax Rate per \$100 of Taxable Assessed Valuation</u>
Galveston County (a).....	\$ 0.341900
Dickinson Independent School District.....	1.178000
College of the Mainland.....	0.268500
City of Texas City.....	0.490000
Galveston County Drainage District No. 1.....	<u>0.066750</u>
Total Overlapping Tax Rate.....	\$ 2.34515
The District (b).....	<u>0.98000</u>
Total Tax Rate.....	\$ 3.32515

(a) Includes Galveston County Road and Flood District.

(b) See "TAX DATA—Historical Tax Rate."

TAX DATA

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District expects to levy its initial debt service tax rate in 2024. See “Historical Tax Rate Distribution” and “Tax Roll Information” below, “TAXING PROCEDURES” and “RISK FACTORS—Possible Impact on District Tax Rates.”

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted November 6, 2007, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 of taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.

Historical Tax Rate

	2023	2022	2021	2020	2019
Debt Service Tax	\$ -	\$ -	\$ -	\$ -	\$ -
Maintenance Tax	0.980	0.980	0.85	0.85	0.85
Total District Tax Rate	\$ 0.980	\$ 0.980	\$ 0.85	\$ 0.85	\$ 0.85

Tax Exemptions

The District has not adopted any tax exemptions for property located within the District.

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District’s tax assessor/collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

Tax Year	Taxable	Tax Rate	Total (b) Tax Levy	Total Collections As of September 30, 2023 (c)	
	Assessed Valuation (a)			Amount	Percent
2019	\$ 13,409,360	\$ 0.85	\$ 113,980	\$ 113,980	100.00%
2020	15,991,770	0.85	135,930	135,930	100.00%
2021	41,194,680	0.85	350,155	350,155	100.00%
2022	38,646,269	0.98	378,733	378,733	100.00%
2023	99,622,138	0.98	976,297	(d)	(d)

- (a) Represents taxable assessed value as certified by the Appraisal District.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District and including rollback taxes as of the date hereof.
- (c) Unaudited collections.
- (d) In process of collection. Taxes for 2023 are due by January 31, 2024.

Tax Roll Information

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate (see “TAXING PROCEDURES—Valuation of Property for Taxation”). The following represents the composition of property comprising the 2019 through 2023 Certified Taxable Assessed Valuations. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. A breakdown of the Estimated Taxable Assessed Valuation as of August 1, 2023 is not available.

	2023 Certified Taxable Assessed Valuation	2022 Certified Taxable Assessed Valuation	2021 Certified Taxable Assessed Valuation	2020 Certified Taxable Assessed Valuation	2019 Certified Taxable Assessed Valuation
Land	\$ 70,369,700	\$ 24,551,640	\$ 24,608,520	\$ 24,980,570	\$ 24,462,970
Improvements	33,687,100	16,161,050	19,991,120	36,040	-
Personal Property	37,770	2,690	24,200	-	-
Exemptions	(4,472,432)	(2,069,111)	(3,429,160)	(9,024,840)	(11,053,610)
Total	99,622,138	38,646,269	41,194,680	15,991,770	13,409,360

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property and the principal taxpayer total as a percentage of the 2023 Certified Taxable Assessed Valuation of \$99,622,138, which represents ownership as of January 1, 2023. A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of August 1, 2023 (\$132,134,408) is not available.

Taxpayer	2023 Certified Taxable Assessed Valuation	% of 2023 Certified Taxable Assessed Valuation
1 Land Tejas Texas City Ltd. (a)	\$ 10,673,215	10.71%
2 OGC Lago Mar Apartments II LP (a)	8,605,700	8.64%
3 Huntington Lago Mar Partners Ltd. (a)	8,000,000	8.03%
4 Astro Lago Mar LP (a)	6,045,450	6.07%
5 Castlerock Communities LLC (b)	4,850,330	4.87%
6 AGEHC II (LGIH) Multi State 3 LLC (a)	4,254,900	4.27%
7 LGI Homes - Texas LLC (a) (b)	3,934,270	3.95%
8 HMH Lifestyles LP (b)	3,804,980	3.82%
9 Westin Homes & Properties LP (b)	3,541,330	3.55%
10 Holland 45 Dev Ltd. (c)	3,370,700	3.38%
Total	\$ 57,080,875	57.29%

- (a) See “THE DEVELOPERS.”
- (b) See “THE DISTRICT—Homebuilding.”
- (c) See “THE DEVELOPERS—Major Property Owner.”

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2023 Certified Taxable Assessed Valuation of \$99,622,138 or the Estimated Taxable Assessed Valuation as of August 1, 2023 of \$132,134,408. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety percent (90%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “RISK FACTORS—Possible Impact on District Tax Rates” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Average Annual Debt Service Requirement (2024-2049)	\$830,308
\$0.93 Tax Rate on the 2023 Certified Taxable Assessed Valuation	\$833,837
\$0.70 Tax Rate on the Estimated Taxable Assessed Valuation as of August 1, 2023	\$832,447
Maximum Annual Debt Service Requirement (2049).....	\$871,781
\$0.98 Tax Rate on the 2023 Certified Taxable Assessed Valuation	\$878,667
\$0.74 Tax Rate on the Estimated Taxable Assessed Valuation as of August 1, 2023	\$880,015

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of August 1, 2023 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal 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 Resolution 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 may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See “TAX DATA—Debt Service Tax” and “—Maintenance and Operations Tax.”

Property Tax Code and County-Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Galveston Central Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units within Galveston County, including the District. Such appraisal values are subject to review and change by the Galveston Central Appraisal Review Board (the “Appraisal Review Board”).

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty, 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 spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA.”

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 from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. See “TAX DATA.”

Freeport Goods Exemption: A “Freeport Exemption” applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods- in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Galveston County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, Galveston County, the City and the District, under certain circumstances, 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 appraised valuation of property covered by the agreement over its appraised 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 agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

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 one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (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 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 some political subdivisions while claiming it as to 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.

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 (3) 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 (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal 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 value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

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

Additional Penalties

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

Tax Payment Installments After Disaster

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

Additionally, the Property 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 located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. The District has been designated as a "Developing District" for tax year 2023. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—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 subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." 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 six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. See "RISK FACTORS—General" and "—Tax Collection Limitations and Foreclosure Remedies."

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made.

The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$204.5 million and \$281.5 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

LEGAL MATTERS

Legal Proceedings

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

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under “THE BONDS,” “UTILITY SERVICES AGREEMENT,” “THE DISTRICT—General,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” 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 Developers for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the Date of Delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals, 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 Internal Revenue Code of 1986, as amended (the “Code”)) for the purpose of determining the alternative minimum tax imposed on corporations.

The Internal Revenue Code of 1986, as amended (the “Code”) imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The District has covenanted in the Bond Resolution that it will comply with these requirements.

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

Not Qualified Tax-Exempt Obligations

The Bonds are **not** "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this OFFICIAL STATEMENT are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by Assessments of the Southwest, Inc. and is included herein in reliance upon the authority of such entity as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," and "THE SYSTEM" has been provided by BGE, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The financial statements of the District as of March 31, 2023, and for the year then ended, included in this offering document, have been audited by FORVIS, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's audited financial statements for the year ended March 31, 2023.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—General Operating Fund" has been provided by Myrtle Cruz, Inc. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the 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 Underwriter, of any adverse event which causes the OFFICIAL STATEMENT to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the OFFICIAL STATEMENT satisfactory to the Underwriter, provided, however, that the obligation of the District to the Underwriter to so amend or supplement the OFFICIAL STATEMENT will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter 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 as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the Board has relied in part upon its examination of records of the District, and upon discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has the following agreement for the benefit of the registered and beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," except for "Estimated Overlapping Debt," "TAX DATA," and in APPENDIX A (Independent Auditor's Report and Financial Statements of the District and certain supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2024. Any financial statements so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable period to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain 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 Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition

involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes 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, operational data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access (“EMMA”) internet portal at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance With Prior Undertakings

This is the District’s first issuance of Bonds. Therefore, the District has not previously entered into a continuing disclosure undertaking agreement.

MISCELLANEOUS

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

/s/ Bob D. Boozer, P.E., CDP
President, Board of Directors

ATTEST:

/s/ Christopher Hutcheson
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of October 2023)



INTERSTATE 45

GALVESTON COUNTY MUNICIPAL
UTILITY DISTRICT No. 59

HOLLAND RD.



**PHOTOGRAPHS OF THE DISTRICT
(As of August 2023)**













APPENDIX A


**Independent Auditor's Report and Financial Statements of the District
for the fiscal year ended March 31, 2023.**



Galveston County Municipal Utility District No. 59 Galveston County, Texas

Independent Auditor's Report and Financial Statements

March 31, 2023



Galveston County Municipal Utility District No. 59
March 31, 2023

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Independent Auditor's Report

Board of Directors
Galveston County Municipal Utility District No. 59
Galveston County, Texas

Opinions

We have audited the financial statements of the governmental activities and general fund of Galveston County Municipal Utility District No. 59 (the District), as of and for the year ended March 31, 2023, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the District, as of March 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 these 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 12 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 GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, as listed in the table of contents, 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.

Other Information

Management is responsible for the other information included in the basic financial statements. The other information comprises schedules required by the Texas Commission on Environmental Quality as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

FORVIS,LLP

Houston, Texas
August 14, 2023

Galveston County Municipal Utility District No. 59

Management's Discussion and Analysis

March 31, 2023

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

Galveston County Municipal Utility District No. 59
Management's Discussion and Analysis (Continued)
March 31, 2023

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Galveston County Municipal Utility District No. 59
Management's Discussion and Analysis (Continued)
March 31, 2023

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2023	2022
Current and other assets	\$ 9,100,486	\$ 362,808
Capital assets	11,140,461	1,412,765
Total assets	\$ 20,240,947	\$ 1,775,573
Long-term liabilities	\$ 37,341,479	\$ 12,095,941
Other liabilities	8,598,338	30,727
Total liabilities	45,939,817	12,126,668
Net position:		
Net investment in capital assets	(26,201,018)	(10,683,176)
Unrestricted	502,148	332,081
Total net position	\$ (25,698,870)	\$ (10,351,095)

The total net position of the District decreased by \$15,347,775, or 148 percent. The decrease in net position is primarily related to the conveyance of capital assets to another entity for maintenance.

At March 31, 2023, net investment in capital assets was \$(26,201,018). This amount was negative because the District has an obligation to sell bonds to finance the construction or acquisition of capital assets, which have been conveyed to the City of Texas City (the City) pursuant to a utility agreement between the District and the City. Accordingly, these assets are not recorded in the financial statements of the District.

Summary of Changes in Net Position

	2023	2022
Revenues:		
Property taxes	\$ 419,499	\$ 431,480
Other revenues	4,466	2,934
Total revenues	423,965	434,414

Galveston County Municipal Utility District No. 59
Management's Discussion and Analysis (Continued)
March 31, 2023

Summary of Changes in Net Position (Continued)

	2023	2022
Expenses:		
Services	\$ 253,898	\$ 216,987
Conveyance of capital assets	15,517,842	9,665,123
Total expenses	15,771,740	9,882,110
Change in net position	(15,347,775)	(9,447,696)
Net position, beginning of year	(10,351,095)	(903,399)
Net position, end of year	\$ (25,698,870)	\$ (10,351,095)

Financial Analysis of the District's Fund

The general fund's fund balance increased by \$169,923. This increase was primarily due to property tax revenues exceeding service operation expenditures in the current year.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax revenues being greater than anticipated and repairs and maintenance and other expenditures being less than anticipated. The fund balance as of March 31, 2023, was expected to be \$399,142 and the actual end-of-year fund balance was \$502,004.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets

	2023	2022
Land and improvements	\$ 11,140,461	\$ 1,412,765

Galveston County Municipal Utility District No. 59
Management's Discussion and Analysis (Continued)
March 31, 2023

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

Lago Mar Pod 8, Detention Phases 1 and 2	\$ <u>9,727,696</u>
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Debt

The changes in the debt position of the District during the fiscal year ended March 31, 2023, are summarized as follows:

Long-term debt payable, beginning of year	\$ 12,095,941
Increases in long-term debt	<u>25,245,538</u>
Long-term debt payable, end of year	<u>\$ 37,341,479</u>

Developers within the District have constructed water, sewer, drainage and road facilities on behalf of the District under terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues or other available funds subject to the approval of the Commission, if required. As of March 31, 2023, a liability for developer-constructed capital assets of \$36,907,548 was recorded in the government-wide financial statements.

At March 31, 2023, the District had \$302,910,000 of unlimited tax bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and refunding of such bonds, \$90,620,000 for financing and constructing recreational facilities within the District and refunding of such bonds, and \$63,365,000 for financing and constructing roads within the District and refunding of such bonds.

Other Relevant Factors

Economic Dependency

The District's developers own the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay property taxes.

Since inception, developers have advanced \$433,931 to the District for operations. The District does not have sufficient funds or anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Galveston County Municipal Utility District No. 59
Management's Discussion and Analysis (Continued)
March 31, 2023

Contingencies

Developers of the District are constructing water, sewer, drainage, roads and recreational facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, if required. The District's engineer has stated that current construction contract amounts are approximately \$27,800,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Galveston County Municipal Utility District No. 59
Statement of Net Position and Governmental Fund Balance Sheet
March 31, 2023

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 9,100,342	\$ -	\$ 9,100,342
Property taxes receivable	144	-	144
Capital assets, land and improvements	-	11,140,461	11,140,461
	<u>\$ 9,100,486</u>	<u>\$ 11,140,461</u>	<u>\$ 20,240,947</u>
Liabilities			
Accounts payable	\$ 525,803	\$ -	\$ 525,803
Due to others	8,072,535	-	8,072,535
Long-term liabilities, due after one year	-	37,341,479	37,341,479
	<u>8,598,338</u>	<u>37,341,479</u>	<u>45,939,817</u>
Deferred Inflows of Resources			
Deferred property tax revenues	144	(144)	0
Fund Balance/Net Position			
Unassigned fund balance	502,004	(502,004)	0
	<u>\$ 9,100,486</u>		
Net position:			
Net investment in capital assets		(26,201,018)	(26,201,018)
Unrestricted net position		502,148	502,148
		<u>\$ (25,698,870)</u>	<u>\$ (25,698,870)</u>

Galveston County Municipal Utility District No. 59
Statement of Activities and Governmental Fund Revenues,
Expenditures and Changes in Fund Balance
Year Ended March 31, 2023

	General Fund	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 419,355	\$ 144	\$ 419,499
Penalty and interest	2,799	-	2,799
Investment income	1,667	-	1,667
Total revenues	<u>423,821</u>	<u>144</u>	<u>423,965</u>
Expenditures/Expenses			
Service operations:			
Professional fees	131,325	-	131,325
Contracted services	10,987	-	10,987
Utilities	427	-	427
Repairs and maintenance	95,404	-	95,404
Other expenditures	15,755	-	15,755
Conveyance of capital assets	-	15,517,842	15,517,842
Total expenditures/expenses	<u>253,898</u>	<u>15,517,842</u>	<u>15,771,740</u>
Excess of Revenues Over Expenditures	169,923	(15,517,698)	
Change in Net Position		(15,347,775)	(15,347,775)
Fund Balance/Net Position			
Beginning of year	<u>332,081</u>	<u>-</u>	<u>(10,351,095)</u>
End of year	<u>\$ 502,004</u>	<u>\$ 0</u>	<u>\$ (25,698,870)</u>

Galveston County Municipal Utility District No. 59

Notes to Financial Statements

March 31, 2023

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

Galveston County Municipal Utility District No. 59 (the District) was created by an order of the Texas Commission on Environmental Quality (the Commission) effective February 9, 2007 (inception), in accordance with the Texas Water Code, Chapter 54. The District's Board of Directors (the Board) held its first meeting, an organizational meeting, on July 24, 2007. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance and construct waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. All services are provided by the City of Texas City (the City).

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

Galveston County Municipal Utility District No. 59

Notes to Financial Statements

March 31, 2023

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

The District presents the following major governmental fund:

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

Fund Balance – Governmental Fund

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Galveston County Municipal Utility District No. 59

Notes to Financial Statements

March 31, 2023

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

Fund Financial Statements

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

Deferred Outflows and Inflows of Resources

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

Pension Costs

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and

Galveston County Municipal Utility District No. 59

Notes to Financial Statements

March 31, 2023

disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the year ended March 31, 2023, include collections during the current period or within 60 days of year-end related to the 2022 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's year ended March 31, 2023, the 2022 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Pursuant to an agreement with the City, the District conveys title of the majority of its capital assets to the City upon completion.

Debt Issuance Costs

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

Long-term Obligations

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

Galveston County Municipal Utility District No. 59
Notes to Financial Statements
March 31, 2023

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

Net Position/Fund Balance

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

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

The District has financed water, sewer, drainage and road and paving facilities, which have been conveyed to the City, which has caused long-term debt to be in excess of capital assets.

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 11,140,461
Property tax revenue recognition and the related reduction of deferred inflows of resources, are subject to availability of funds in the fund financial statements.	144
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(37,341,479)</u>
Adjustment to fund balance to arrive at net position	<u><u>\$ (26,200,874)</u></u>

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

Galveston County Municipal Utility District No. 59
Notes to Financial Statements
March 31, 2023

Change in fund balance.	\$	169,923
<p>Governmental funds report capital outlays as expenditures. However, for the government-wide financial statements, due to a utility agreement with the City, the majority of the capital assets constructed by the District are conveyed to the City upon completion. This is the amount of conveyance of capital assets to the City in the current year.</p>		
		(15,517,842)
<p>Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.</p>		
		144
Change in net position of governmental activities.	\$	(15,347,775)

Note 2: Deposits, Investments and Investment Income

Deposits

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

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

At March 31, 2023, none of the District's bank balances were exposed to custodial credit risk.

Investments

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

Galveston County Municipal Utility District No. 59
Notes to Financial Statements
March 31, 2023

The District's investment policy may be more restrictive than the Public Funds Investment Act.
 At March 31, 2023, the District had no investments.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended March 31, 2023, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 1,412,765	\$ 9,727,696	\$ 11,140,461

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended March 31, 2023, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Balances, End of Year	Amounts Due in One Year
Developer advances	\$ 433,931	\$ -	\$ 433,931	\$ -
Due to developers	11,662,010	25,245,538	36,907,548	-
Total governmental activities long-term liabilities	<u>\$ 12,095,941</u>	<u>\$ 25,245,538</u>	<u>\$ 37,341,479</u>	<u>\$ 0</u>

Bonds voted – water, sewer and drainage facilities and refunding	\$ 302,910,000
Bonds voted – recreational facilities and refunding	90,620,000
Bonds voted – roads and refunding	63,365,000

Galveston County Municipal Utility District No. 59
Notes to Financial Statements
March 31, 2023

Due to Developers - Construction

Developers of the District have constructed facilities on behalf of the District. The District has agreed to reimburse the developers for these construction costs and interest to the extent approved by the Commission, if required, from the proceeds of future bond sales or other available funds. The District's engineer estimates reimbursable costs for completed projects are \$36,907,548. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5: Due to Others

During the current year, the District received \$8,804,485 from the Lago Mar Development Authority for ongoing construction costs related to Lago Mar Pod 9 detention facilities, Phase 2. At March 31, 2023, the remaining balance of these funds is recorded in due to others.

Note 6: Maintenance Taxes

At an election held November 6, 2007, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended March 31, 2023, the District levied an ad valorem maintenance tax at the rate of \$0.98 per \$100 of assessed valuation, which resulted in a tax levy of \$378,733 on the taxable valuation of \$38,646,269 for the 2022 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held November 5, 2019, voters authorized a road maintenance tax not to exceed \$0.25 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended March 31, 2023, the District did not levy an ad valorem road maintenance tax for the 2022 tax year. Any future road maintenance tax will be used by the general fund to pay expenditures for maintenance of certain roads within the District.

Note 7: Risk Management

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

Note 8: Contingencies

Developers of the District are constructing water, sewer, drainage, roads and recreational facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by

Galveston County Municipal Utility District No. 59
Notes to Financial Statements
March 31, 2023

the Commission, if required. The District's engineer has stated that current construction contract amounts are approximately \$27,800,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 9: Economic Dependency

The District's developers own the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay property taxes.

Since inception, developers have advanced \$433,931 to the District for operations. The District does not have sufficient funds or anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Required Supplementary Information

Galveston County Municipal Utility District No. 59
Budgetary Comparison Schedule – General Fund
Year Ended March 31, 2023

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 340,000	\$ 370,000	\$ 419,355	\$ 49,355
Penalty and interest	-	-	2,799	2,799
Investment income	-	-	1,667	1,667
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	340,000	370,000	423,821	53,821
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Service operations:				
Professional fees	130,500	130,500	131,325	(825)
Contracted services	7,500	7,500	10,987	(3,487)
Utilities	1,000	1,000	427	573
Repairs and maintenance	50,000	137,239	95,404	41,835
Other expenditures	26,700	26,700	15,755	10,945
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	215,700	302,939	253,898	49,041
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Revenues Over Expenditures	124,300	67,061	169,923	102,862
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance, Beginning of Year	332,081	332,081	332,081	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance, End of Year	<u>\$ 456,381</u>	<u>\$ 399,142</u>	<u>\$ 502,004</u>	<u>\$ 102,862</u>

Galveston County Municipal Utility District No. 59
Notes to Required Supplementary Information
March 31, 2023

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2023.

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

Other Information

Galveston County Municipal Utility District No. 59
Other Schedules Included Within This Report
March 31, 2023

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

- Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 12-20
- Schedule of Services and Rates
- Schedule of General Fund Expenditures
- Schedule of Temporary Investments – Not Applicable
- Analysis of Taxes Levied and Receivable
- Schedule of Long-term Debt Service Requirements by Years – Not Applicable
- Changes in Long-term Bonded Debt – Not Applicable
- Comparative Schedule of Revenues and Expenditures – General Fund – Three Years
- Board Members, Key Personnel and Consultants

Galveston County Municipal Utility District No. 59
Schedule of Services and Rates
Year Ended March 31, 2023

1. Services provided by the District:

- | | | |
|---|---|--|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input checked="" type="checkbox"/> Roads |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input checked="" type="checkbox"/> Other <u>District services are provided by the City of Texas City</u> | | |
-

Galveston County Municipal Utility District No. 59
Schedule of General Fund Expenditures
Year Ended March 31, 2023

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 12,900	
Legal	75,709	
Engineering	42,716	
Financial advisor	-	
	-	131,325
Purchased Services for Resale		
Bulk water and wastewater service purchases		-
Regional Water Fee		-
Contracted Services		
Bookkeeping	5,175	
General manager	-	
Appraisal district	2,162	
Tax collector	3,650	
Security	-	
Other contracted services	-	
	-	10,987
Utilities		427
Repairs and Maintenance		95,404
Administrative Expenditures		
Directors' fees	6,000	
Office supplies	1,255	
Insurance	3,421	
Other administrative expenditures	5,079	
	5,079	15,755
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	-	
	-	-
Tap Connection Expenditures		-
Solid Waste Disposal		-
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
		-
Total expenditures		\$ 253,898

Galveston County Municipal Utility District No. 59
Analysis of Taxes Levied and Receivable
Year Ended March 31, 2023

	Maintenance Taxes
Receivable, Beginning of Year	\$ -
Additions and corrections to prior years' taxes	40,766
Adjusted receivable, beginning of year	40,766
 2022 Original Tax Levy	 378,733
Total to be accounted for	419,499
Tax collections: Current year	(378,589)
Prior years	(40,766)
Receivable, end of year	\$ 144
 Receivable, by Years	
2022	\$ 144

Galveston County Municipal Utility District No. 59
Analysis of Taxes Levied and Receivable (Continued)
Year Ended March 31, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Property Valuations				
Land	\$ 24,551,640	\$ 24,608,520	\$ 24,980,570	\$ 24,462,970
Improvements	16,161,050	19,991,120	36,040	-
Personal property	2,690	24,200	-	-
Exemptions	<u>(2,069,111)</u>	<u>(3,429,160)</u>	<u>(9,024,840)</u>	<u>(11,053,610)</u>
Total property valuations	<u>\$ 38,646,269</u>	<u>\$ 41,194,680</u>	<u>\$ 15,991,770</u>	<u>\$ 13,409,360</u>
Tax Rates per \$100 Valuation				
Maintenance tax rates*	<u>\$ 0.9800</u>	<u>\$ 0.8500</u>	<u>\$ 0.8500</u>	<u>\$ 0.8500</u>
Tax Levy	<u>\$ 378,733</u>	<u>\$ 350,155</u>	<u>\$ 135,930</u>	<u>\$ 113,980</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

*Maximum tax rate approved by voters: \$1.50 on November 6, 2007

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

Galveston County Municipal Utility District No. 59

Comparative Schedule of Revenues and Expenditures – General Fund

Three Years Ended March 31,

	Amounts			Percent of Total Fund Revenues		
	2023	2022	2021	2023	2022	2021
General Fund						
Revenues						
Property taxes	\$ 419,355	\$ 474,345	\$ 115,035	98.9 %	98.5 %	99.2
Penalty and interest	2,799	6,782	873	0.7	1.4	0.7
Investment income	1,667	114	72	0.4	0.1	0.1
Total revenues	<u>423,821</u>	<u>481,241</u>	<u>115,980</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Expenditures						
Service operations:						
Professional fees	131,325	127,479	123,893	31.0	26.5	106.8
Contracted services	10,987	10,620	10,340	2.6	2.2	8.9
Utilities	427	75	-	0.1	0.1	-
Repairs and maintenance	95,404	62,248	42,625	22.5	12.9	36.8
Other expenditures	15,755	16,565	15,586	3.7	3.4	13.4
Total expenditures	<u>253,898</u>	<u>216,987</u>	<u>192,444</u>	<u>59.9</u>	<u>45.1</u>	<u>165.9</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>169,923</u>	<u>264,254</u>	<u>(76,464)</u>	<u>40.1 %</u>	<u>54.9 %</u>	<u>(65.9)</u>
Other Financing Sources						
Developer advances received	<u>-</u>	<u>15,000</u>	<u>45,000</u>			
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>169,923</u>	<u>279,254</u>	<u>(31,464)</u>			
Fund Balance, Beginning of Year	<u>332,081</u>	<u>52,827</u>	<u>84,291</u>			
Fund Balance, End of Year	<u>\$ 502,004</u>	<u>\$ 332,081</u>	<u>\$ 52,827</u>			
Total Active Retail Water Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>			
Total Active Retail Wastewater Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>			

Galveston County Municipal Utility District No. 59
Board Members, Key Personnel and Consultants
Year Ended March 31, 2023

Complete District mailing address:	Galveston County Municipal Utility District No. 59 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 25, 2022
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Bob Boozer	Elected 05/20- 05/24	\$ 900	\$ 60	President
Greg Tilton	Elected 05/22- 05/26	1,350	106	Vice President
Christopher Hutcheson	Elected 05/22- 05/26	1,200	0	Secretary
Merrill Whitehead, III	Appointed 05/20- 05/24	1,350	15	Assistant Vice President
Scott Butler	Elected 05/22- 05/26	1,200	0	Assistant Secretary

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

Galveston County Municipal Utility District No. 59
Board Members, Key Personnel and Consultants (Continued)
Year Ended March 31, 2023

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	07/24/07	\$ 75,709	Attorney
Assessments of the Southwest, Inc.	10/01/07	4,528	Tax Assessor/ Collector
BGE, Inc.	10/02/07	42,716	Engineer
FORVIS, LLP	04/28/21	12,900	Auditor
Galveston Central Appraisal District	Legislative Action	2,162	Appraiser
Masterson Advisors LLC	02/27/19	0	Financial Advisor
Myrtle Cruz, Inc.	10/02/07	5,950	Bookkeeper
Investment Officer			
Mary Jarmon	10/02/07	N/A	Bookkeeper

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN