

OFFICIAL STATEMENT DATED AUGUST 20, 2024

In the opinion of Bond Counsel (defined below), under current law and subject to conditions described in the Section herein “Tax Exemption,” interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described in the Section herein “Tax Exemption.”

THE BONDS ARE NOT “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “TAX EXEMPTION – OTHER TAX MATTERS.”

NEW ISSUE – Book-Entry-Only

RATINGS: S&P (INSURED) ... “AA”

See “MUNICIPAL BOND RATINGS” and “MUNICIPAL BOND INSURANCE”

\$3,420,000

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 73

(A Political Subdivision of the State of Texas,
located within Galveston County)

UNLIMITED TAX BONDS, SERIES 2024

Dated Date: Date of Delivery (defined herein)

Due: September 1, as shown below

The \$3,420,000 Galveston County Municipal Utility District No. 73 Unlimited Tax Bonds, Series 2024 (the “Bonds”), are obligations solely of Galveston County Municipal Utility District No. 73 (the “District”), and are not obligations of the State of Texas, Galveston County, the City of League City, or any entity other than the District.

Principal of the Bonds is payable at maturity or earlier redemption by the paying agent/registrars, initially UMB Bank, N.A. (sometimes hereinafter called the “Paying Agent” or the “Registrar”). Interest accrues from the date of delivery of the Bonds to the Initial Purchaser (expected to be on or about September 19, 2024), and is payable beginning March 1, 2025, and each September 1 and March 1 (each an “Interest Payment Date”) thereafter until the earlier of maturity or redemption, and will be calculated on the basis a 360-day year consisting of twelve 30-day months. The Bonds are fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

The Bonds will be registered and delivered only 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 (as herein defined under “BOOK-ENTRY-ONLY SYSTEM”) of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. 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” and “APPENDIX B – Specimen Municipal Bond Insurance Policy.”

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (Sept. 1)	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP 36423R ^(c)	Due (Sept. 1)	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP 36423R ^(c)
2026	\$65,000	7.000%	3.400%	AA1	2039 ^(d)	\$135,000	4.000%	4.050%	AP8
2027	70,000	7.000%	3.400%	AB9	2040 ^(d)	140,000	4.000%	4.100%	AQ6
2028	75,000	7.000%	3.400%	AC7	2041 ^(d)	150,000	4.000%	4.150%	AR4
2029	80,000	7.000%	3.400%	AD5	2042 ^(d)	160,000	4.000%	4.180%	AS2
2030	85,000	7.000%	3.400%	AE3	2043 ^(d)	165,000	4.125%	4.210%	AT0
2031 ^(d)	90,000	7.000%	3.400%	AF0	2044 ^(d)	175,000	4.125%	4.240%	AU7
***	***	***	***	***	2045 ^(d)	185,000	4.125%	4.270%	AV5
***	***	***	***	***	2046 ^(d)	195,000	4.125%	4.300%	AW3
2034 ^(d)	105,000	4.000%	3.650%	AJ2	2047 ^(d)	205,000	4.125%	4.320%	AX1
2035 ^(d)	110,000	4.000%	3.750%	AK9	2048 ^(d)	215,000	4.250%	4.340%	AY9
2036 ^(d)	115,000	4.000%	3.850%	AL7	2049 ^(d)	230,000	4.250%	4.350%	AZ6
***	***	***	***	***	2050 ^(d)	240,000	4.250%	4.360%	BA0
***	***	***	***	***					

\$185,000 Term Bond due September 1, 2033 ^{(d) (e)} Interest Rate 6.500% ^(a) Initial Yield 3.450% ^(b) CUSIP No. 36423R AH6 ^(c)

\$245,000 Term Bond due September 1, 2038 ^{(d) (e)} Interest Rate 4.000% ^(a) Initial Yield 4.000% ^(b) CUSIP No. 36423R AN3 ^(c)

- (a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest net effective interest rate bid to purchase the Bonds, bearing interest as shown, at a price of 97.007820% of par to the Date of Delivery, resulting in a net effective interest rate to the District of 4.480312%.
- (b) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of the Initial Purchaser, and may subsequently be changed.
- (c) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers.
- (d) Bonds maturing on September 1, 2031, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption Provisions.”
- (e) In addition to being subject to optional redemption, as described above, the Term Bonds (as hereinafter defined) are also subject to mandatory redemption by lot or other customary random selection method on September 1 in the years and in the amounts set forth herein under the caption. See “THE BONDS – Redemption Provisions.”

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 upon all taxable property within the District, as further described herein. Investment in the Bonds is subject to special Risk Factors described herein. See “RISK FACTORS.”

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel. Certain legal matters will be passed upon for the Initial Purchaser (as hereinafter defined) by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about September 19, 2024 (the “Date of Delivery”).

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of 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 the District upon payment of the costs for duplication thereof.

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 condition 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 Initial Purchaser of the Bonds, as shown on the cover page hereof, and thereafter only as described under "SOURCES OF INFORMATION – Updating of Official Statement."

References to website 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 websites and the information or links contained therein are not incorporated into, and are not part of, this OFFICIAL STATEMENT for any purpose.

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 and Marketing of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest net effective interest rate bid, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"), to purchase the Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page hereof at a price of 97.007820% of the principal amount thereof, to the Date of Delivery, which resulted in a net effective interest rate of 4.480312% as calculated pursuant to Chapter 1204, Texas Government Code.

Prices and Marketability

The prices and other terms respecting the re-offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts.

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

No Litigation

As a condition to delivery of the Bonds, the District will furnish a certificate executed by the President and Secretary of the District that no litigation is pending or, to the knowledge of the District's certifying officers, threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the titles of the present officers and directors of the Board of Directors of the District.

Securities Laws

No registration statement relating to 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 Texas Securities Act in reliance upon various exemptions contained therein, nor have the Bonds 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 jurisdictions.

MUNICIPAL BOND RATINGS

Standard and Poor's Financial Services LLC, a business unit of S&P Global Ratings ("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 ("BAM"). An explanation of the rating may be obtained from S&P. See "MUNICIPAL BOND INSURANCE."

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 an exhibit 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 <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2024 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, \$232.7 million and \$253.3 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.

MUNICIPAL BOND INSURANCE RISK FACTORS

In the event the bond insurer (the “Bond Insurer”) becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the bondholder may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District nor the Initial Purchaser has made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

OFFICIAL STATEMENT SUMMARY

The following summary of certain information contained herein is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

The Issuer Galveston County Municipal Utility District No. 73, (the “District”), is a political subdivision of the State of Texas (the “State”) located in Galveston County, Texas. The District is situated wholly within the limits of the City of League City. The District is generally bounded on the south by future Grand Parkway SH 99, on the north by existing Magnolia Creek neighborhood, and on the east by Hobbs Road. Primary access to the District will be from Ervin Street. Secondary access points will be from Hobbs Road, Florence Drive, and future Grand Parkway. See “THE DISTRICT.”

Description The \$3,420,000 Unlimited Tax Bonds, Series 2024, are dated as of the date of delivery, currently projected for September 19, 2024 (the “Date of Delivery”), and mature on September 1 in each of the years and in the principal amounts indicated on the cover page of this Official Statement (the “Bonds”). The Bonds are being issued as serial bonds (the “Serial Bonds”) maturing annually on September 1 in varying amounts in the years 2026 through 2031, 2034 through 2036, and 2039 through 2050, and as term bonds maturing on September 1, 2033 and 2038 (the “Term Bonds”) in the aggregate principal amount of \$3,420,000. Interest accrues from the Date of Delivery of the Bonds to the Initial Purchaser, and is payable beginning March 1, 2025, and each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds maturing on or after September 1, 2031 are subject to redemption, in whole or from time to time in part, prior to their scheduled maturities, on September 1, 2030, or on any date

thereafter, at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof so called for redemption to the date of redemption. See “THE BONDS.” See “THE BONDS – Redemption Provisions.”

Book-Entry Only	The Bonds are initially issuable in book-entry only form and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, which will act as securities depository. Beneficial Owners of the Bonds will not receive physical delivery of bond certificates. See “BOOK-ENTRY-ONLY SYSTEM.”
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “THE BONDS – Source and Security for Payment,” “TAX DATA – Tax Rate Calculations,” and “RISK FACTORS – Maximum Impact on District Tax Rates.”
Payment Record.....	The Bonds constitute the District’s first issuance of unlimited tax bonds secured by and payable from an unlimited ad valorem tax levied on the taxable property within the District.
Use of Proceeds	Proceeds of the sale of the Bonds will be used to pay for items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS,” including to pay for developer interest; to capitalized twelve (12) months of interest on the Bonds; and to pay certain other costs and engineering fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
Municipal Bond Rating and Insurance.....	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 (“BAM”). An explanation of the rating may be obtained from S&P. See “MUNICIPAL BOND RATINGS,” “MUNICIPAL BOND INSURANCE,” and “MUNICIPAL BOND INSURANCE RISK FACTORS.”
Not Qualified Tax-Exempt Obligations	The Bonds are not “qualified tax-exempt obligations” within the meaning of the Internal Revenue Code of 1986, as amended. See “TAX EXEMPTION – Other Tax Matters.”

THE DISTRICT

Description	Galveston County Municipal Utility District No. 73, a political subdivision of the State, was created by Order of the Texas Commission on Environmental Quality (“TCEQ”) dated July 22, 2019, and operates under Chapters 49 and 54 of the Texas Water Code pursuant to Article XVI, Section 59 and Article III, Section 52, of the Texas Constitution. The District is located in Galveston County and is situated wholly within the limits of the City of League City (“League City” or the “City”). See “THE DISTRICT – Description.”
Authority for Issuance	At an election held within the District on May 1, 2021, the District voters authorized the issuance of (1) \$443,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities (the “System”) and the issuance of \$44,370,000 for the purpose of refunding such bonds (2) \$113,000,000 for the issuance of bonds for the costs of parks and recreational facilities (the “Park System”) and \$11,300,000 for the purpose of refunding such bonds and (3) \$287,000,000 for

the purpose of construction of roads within the District (the “Road System”) and \$28,700,000 for the purpose of refunding such bonds. The Bonds constitute the first issuance of bonds for the construction of the Utility System from such authorization. After the issuance of the Bonds, \$440,280,000 principal amount of unlimited tax bonds for the System will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution (as defined herein); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the TCEQ dated June 10, 2024. See “THE DISTRICT – General.”

The Developer	<p>The developer/principal landowner within the District is Lennar Homes of Texas Land and Construction, Ltd. (the “Developer”), a Texas limited partnership, which is a subsidiary of and controlled by Lennar Corporation.</p> <p>Additionally, pursuant to the Reimbursement Agreement (defined herein), dated April 27, 2021, by and among the District and Richard K. Duncan, Sr., a landowner and developer in the District (the “Reimbursement Agreement”), Richard K. Duncan, Sr. is entitled to receive from the District reimbursements for the cost of the creation of the District and the costs of certain improvements in the District. See “THE DEVELOPER – The Developer and Principal Landowners.”</p>
Development of the District.....	<p>As of July 1, 2024, the District contained 118 completed single-family homes, 240 homes under construction by the Developer and 164 vacant lots. The remaining land in the District is comprised of approximately 537.461 undeveloped but developable acres and approximately 98.615 acres that are undevelopable. See “THE DEVELOPER – Status of Development.”</p>
Homebuilders within the District....	<p>Recently completed homes within the District have been constructed by the Developer. New homes being constructed range in price from \$265,000 to \$330,000. See “THE DEVELOPER – Homebuilders.”</p>
Bond Counsel	<p>The Muller Law Group, PLLC, Sugar Land, Texas. See “LEGAL MATTERS.”</p>
Disclosure Counsel	<p>Orrick, Herrington & Sutcliffe LLP, Houston, Texas</p>
Engineer.....	<p>LJA Engineering, Inc., Katy, Texas</p>
Financial Advisor	<p>RBC Capital Markets, LLC, Houston Texas</p>
Paying Agent	<p>UMB Bank, N.A., Houston, Texas</p>

RISK FACTORS

INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL RISK FACTORS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS; ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED “RISK FACTORS.”

SUMMARY OF SELECTED FINANCIAL INFORMATION (UNAUDITED)

January 1, 2024 Taxable Assessed Valuation	\$48,800,381 (a)
June 1, 2024 Estimated Taxable Assessed Valuation	\$103,858,229 (b)
Direct Debt (Includes the Bonds)	\$3,420,000
Estimated Overlapping Debt	9,282,914
Direct and Estimated Overlapping Debt	<u>\$12,702,914</u>
Operating Fund (as of July 9, 2024)	\$64,670
Debt Service Fund Balance (as of Date of Delivery)	\$147,169 (c)
Ratios of Direct Debt to:	
January 1, 2024 Taxable Assessed Valuation	7.01%
June 1, 2024 Estimated Taxable Assessed Valuation	3.29%
Ratios of Direct Debt and Estimated Overlapping Debt to:	
January 1, 2024 Taxable Assessed Valuation	26.03%
June 1, 2024 Estimated Taxable Assessed Valuation	12.23%
2023 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax	\$0.000 (d)
Maintenance Tax	1.000
Total	<u>\$1.000</u>
Average Annual Debt Service Requirements on the Bonds (Calendar Years 2025 – 2050)	\$225,659
Maximum Annual Debt Service Requirement of the Bonds (Calendar Year 2050)	\$250,200
Tax Rate per \$100 of Assessed Valuation Required to pay the Average Annual Debt Service Requirements of the Bonds at 95% Tax Collection	
Based Upon January 1, 2024 Taxable Assessed Valuation	\$0.49
Based Upon June 1, 2024 Estimated Taxable Assessed Valuation	\$0.23
Tax Rate per \$100 of Assessed Valuation Required to pay Maximum Annual Debt Service Requirement of the Bonds at 95% Tax Collection	
Based Upon January 1, 2024 Estimated Taxable Assessed Valuation	\$0.54
Based Upon June 1, 2024 Estimated Taxable Assessed Valuation	\$0.26

- (a) The 2024 Taxable Assessed Valuation shown herein includes \$30,704,189 of certified value and \$18,096,192 of uncertified value. The uncertified value represents the Galveston Central Appraisal District’s (“GCAD”) opinion of the value; however, such value is subject to review and downward adjustment prior to certification. No tax will be levied on said uncertified value until it is certified by GCAD. See “TAX DATA” and “TAXING PROCEDURES.”
- (b) Provided by GCAD for informational purposes only. Such amount reflects an estimate of the taxable assessed value located within the District as of June 1, 2024, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2024 through June 1, 2024. No taxes will be levied against this amount.
- (c) Represents twelve (12) months of capitalized interest as of the Date of Delivery, which is expected to cover the District’s scheduled debt service payments prior to the collection of ad valorem tax revenues for such purposes. Neither Texas law nor the Bond Resolution requires that the District maintain any sum in the Debt Service Fund.
- (d) The District has not yet issued bonds or other debt payable from ad valorem taxes.

OFFICIAL STATEMENT
relating to
\$3,420,000
GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 73
UNLIMITED TAX BONDS
SERIES 2024

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Galveston County Municipal Utility District No. 73 (the “District”), of its \$3,420,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”). There follows in this Official Statement descriptions of the Bonds and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District c/o The Muller Law Group, PLLC, Sugar Land, Texas (“Bond Counsel”), upon request and payment of the costs of duplication therefor.

THE DISTRICT

General

Galveston County Municipal Utility District No. 73 (the “District”), a municipal utility district created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the “TCEQ”), on July 22, 2019, operates under the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the TCEQ. The District is located within the corporate limits of the City of League City (the “City” or “League City”) which retains certain approval related to utility construction and operation as well as the sale of bonds serving the Development (see “UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND LEAGUE CITY”).

The District is located in Galveston County, Texas and is situated wholly within the limits of the League City, Texas. The District is generally bounded on the south by future Grand Parkway SH 99, on the north by existing Magnolia Creek neighborhood, and on the east by Hobbs Road. Primary access to the District will be from Ervin Street. Secondary access points will be from Hobbs Road, Florence Drive, and future Grand Parkway.

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THE DEVELOPER

Status of Development

As of July 1, 2024, the District contained 118 completed single-family homes, 240 homes under construction by the Developer and 164 vacant lots. The remaining land in the District is comprised of approximately 537.461 undeveloped but developable acres and approximately 98.615 acres that are undevelopable.

Subdivision	Acres	Platted Lots	To Be Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
Section 1	29.940	92	0	87	0	5
Section 2	26.750	77	0	31	44	2
Section 3	18.874	83	0	0	83	0
Section 4	18.014	66	0	0	37	29
Section 5	14.079	64	0	0	64	0
Section 6	14.291	63	0	0	12	51
Section 8	19.385	77	0	0	0	77
Rec Center & Ervin St. Ph. 2	9.141	0	0	0	0	0
Future	537.461	0	0	0	0	0
Undevelopable	98.615	0	0	0	0	0
Total	786.550	522	0	118	240	164

Role of a Developer

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

The Developer and Principal Landowners

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

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

Pursuant to the Reimbursement Agreement (defined herein), dated April 27, 2021, by and among the District and Richard K. Duncan, Sr., a landowner and developer in the District (the “Reimbursement Agreement”), Richard K. Duncan, Sr. is entitled to receive from the District reimbursements for the cost of the creation of the District and the costs of certain improvements in the District, such as the shared regional lift station, which benefits the District. A portion of the proceeds of the Bonds will be used to reimburse Richard K. Duncan, Sr. for such costs, pursuant to the terms of the Reimbursement Agreement.

Homebuilders in the District

Recently completed homes within the District have been constructed by the Developer. Home sale prices range from \$265,000 to \$330,000.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution (as defined herein), a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated as of the Date of Delivery of the Bonds to the Initial Purchaser (anticipated September 19, 2024) and payable on March 1, 2025, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”), until the earlier of maturity or prior redemption. Interest on the Bonds initially accrues from the Date of Delivery (anticipated September 19, 2024), and thereafter, from the most recent Interest Payment Date. The Bonds mature on September 1 of the years and in the amounts shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry system described herein (“Registered Owners”). No physical delivery of the Bonds will be made to the purchasers thereof. See “BOOK-ENTRY-ONLY SYSTEM.” Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Record Date

The record date for payment of the interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding an Interest Payment Date.

Authority for Issuance

At an election held within the District on May 1, 2021, voters of the District authorized a total of \$443,700,000 in unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities. The Bonds constitute the first issuance of bonds from such authorization. After the issuance of the Bonds, a total of \$440,280,000 in principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of a resolution

adopted by the District on the date of award of the Bonds (the “Bond Resolution”); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the TCEQ dated June 10, 2024.

Source and Security for Payment

The Bonds and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See “TAXING PROCEDURES.” Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See “RISK FACTORS.” The Bonds are obligations solely of the District and are not obligations of the State of Texas (the “State”), Galveston County, Texas, the City, or any political subdivision or agency other than the District.

Redemption Provisions

Optional Redemption:

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2031, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2030, or any date thereafter, at a price equal to the principal amount thereof to the date fixed for redemption (“Redemption Date”). If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See “BOOK-ENTRY-ONLY SYSTEM.”

Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the Redemption Date, in the manner specified in the Bond Resolution.

Mandatory Redemption:

The Bonds due on September 1, 2033 and 2038 (the “Term Bonds”) also are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1 in the years (“Mandatory Redemption Dates”) and in the amounts set forth below, at a redemption price of par plus accrued interest to the date of redemption:

<u>Term Bond 2033 – \$185,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2032	\$90,000
2033 (maturity)	95,000
<u>Term Bond 2038 – \$245,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2037	\$120,000
2038 (maturity)	125,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the 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 Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

By the Redemption Date, due provision shall be made with the Paying Agent for payment of the principal of the Bonds or portions thereof to be redeemed by the Redemption Date. When the 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.

Method of Payment of Principal and Interest

The Board of Directors of the District (“Board”) has appointed UMB Bank, N.A., having its principal corporate trust office and its principal payment office in Houston, Texas, as the initial paying agent/registrars for the Bonds (“Paying Agent” or “Registrar”). The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See “BOOK-ENTRY-ONLY SYSTEM.”

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner’s income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.” So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrars in the State for the purpose of maintaining the Register on behalf of the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent. If the Paying Agent is replaced by the District, the new paying agent/registrars shall be required to accept the previous Paying Agent’s records and act in the same capacity as the previous Paying Agent. Any paying agent/registrars selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least \$25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

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 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.

Issuance of Additional Debt

At an election held within the District on May 1, 2021, the District voters authorized the issuance of (1) \$443,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities (the “System”) and the issuance of \$44,370,000 for the purpose of refunding such bonds; (2) \$113,000,000 for the issuance of bonds for the costs of parks and recreational facilities (the “Park System”) and \$11,300,000 for the purpose of refunding such bonds; and (3) \$287,000,000 for the purpose of construction of roads within the District (the “Road System”) and \$28,700,000 for the purpose of refunding such bonds.

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. See “RISK FACTORS – Future Debt.”

Dissolution and Consolidation

The City Council of the City, by a vote of not less than two-thirds of its membership, may adopt an ordinance dissolving the District. Upon the adoption of the ordinance, the District would be dissolved, and the City would succeed to the property and assets of the District and assume all bonds, debts, obligations, and liabilities of the District, including, without limitation, the obligation to pay the debt service on the Bonds. The District can make no representation on the ability of the City to repay the District’s debt. Pursuant to a Utility Agreement between the District and the City, the City has agreed not to dissolve the District until development within the District is substantially complete.

The District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the new, consolidated district. No representation is made that the District will ever consolidate with any other district, although no consolidation is presently contemplated by the District.

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 observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the right to seek 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. Certain traditional legal remedies may also not be available. See “RISK FACTORS – Registered Owners’ Remedies.”

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 the principal of, 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 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) for obligations of the

District payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such discharge amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall mature and/or bear

interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Resolution.

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

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

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. Discontinuance of the DTC book-entry-only system by the District may require consent of DTC Participants under DTC Operational Arrangements. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, 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 the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a 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 effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If 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 District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Agent, disbursement of such payments to the 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 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-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC. 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 District takes no responsibility for the accuracy thereof.

RISK FACTORS

General

The Bonds, which are obligations solely of the District and not obligations of the State, Galveston County, the City of League City or any other entity, are secured by the levy of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes, may be costly and lengthy processes. See "Tax Collection Limitations" and "Registered Owners' Remedies" below and "THE BONDS – Source and Security for Payment," and "– Remedies in Event of Default."

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The January 1, 2024 Taxable Assessed Valuation of property located within the District (see "TAX DATA") is \$48,800,381. The 2024 Taxable Assessed Valuation shown herein includes \$30,704,189 of certified value and \$18,096,192 of uncertified value. The uncertified value represents GCAD's opinion of the value; however, such value is subject to review and downward adjustment prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. The June 1, 2024 Estimate of Assessed Valuation of property located within the District (see "TAX DATA") is \$103,858,229. After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be \$250,200 (2050) and the Average Annual Debt Service Requirements will be \$225,659 (2025 through 2050, inclusive). Assuming no increase to or decrease from the January 1, 2024 Taxable Assessed Valuation, and no use of other District funds, tax rates of \$0.54 and \$0.49 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. Assuming no increase to or decrease from the June 1, 2024 Estimate of Assessed Valuation, and no use of other District funds, tax rates of \$0.26 and \$0.23 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. See "TAX DATA – Tax Rate Calculations."

Dependence on Principal Taxpayers and Concentration of Taxable Value

Based upon the 2024 GCAD tax rolls, the principal taxpayer of the District, the Developer, comprises of 70.4% of the District's 2024 Taxable Assessed Valuation. The calculation of the percent of principal taxpayers is based upon the 2024 Taxable Assessed Valuation, which includes \$30,704,189 of certified value and \$18,096,192 of uncertified value. The uncertified value represents the Galveston Central Appraisal District's ("GCAD") opinion of the value; however, such value is subject to review and downward adjustment prior to certification. No tax will be levied on said uncertified value until it is certified by the GCAD. The entities that constitute the top ten taxpayers may change as properties under GCAD review are certified. See "TAX DATA" and "TAXING PROCEDURES."

The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. In the event one of these taxpayers, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to collect tax revenues or enforce and liquidate its tax liens in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its interest and sinking fund. See "TAX DATA – Principal Taxpayers."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by 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, (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property, (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below, or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities which have parity liens on the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years following the date of recordation of the deed issued at foreclosure and all other property within six (6) months following the date of recordation of the deed issued at foreclosure. See "TAXING PROCEDURES."

Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes 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 on 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. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

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.

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 in the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Specific Flood Type Risks

The District is subject to the following types of flood risks.

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 overland. 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 floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They 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 (canals or channels) downstream.

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.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond 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 right to seek 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. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Beneficial 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 Beneficial Owners may further be limited by a State statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) 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. Under Texas law, the District must also obtain the approval of the Commission prior to filing bankruptcy. Such law requires that the Commission investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by 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 under the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning District relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District reserves the right in the Bond Resolution the right to issue the remaining \$440,280,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities (the "System") and the issuance of \$44,370,000 for the purpose of refunding such bonds; (2) \$113,000,000 for the issuance of bonds for the costs of parks and recreational facilities (the "Park System") and \$11,300,000 for the purpose of refunding such bonds; and (3) \$287,000,000 for the purpose of construction of roads within the District (the "Road System") and \$28,700,000 for the purpose of refunding such bonds. The District has also reserved the right to issue certain other additional bonds. See "THE BONDS – Legal Ability to Issue Additional Debt."

Continuing Compliance with Certain Covenants

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

Marketability

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

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

Environmental Regulations

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

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

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

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

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 35 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 TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) 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. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The use and distribution of the proceeds from the sale of the Bonds, as approved by the TCEQ, is set forth below.

CONSTRUCTION COSTS	District's Share
A Developer Contribution Items	
1. Samara Lift Station & Force Main	\$257,926
2. Drainage Facilities to Serve Sedona Section 6	216,289
3. Engineering (Item No. 1)	104,883
4. Engineering costs for DEC Drainage Study	111,720
5. Engineering costs for LJA Drainage Impact Analysis	69,677
	\$760,495
B District Items	
1. Easement Acquisition Costs	\$122,100
2. Capital Recovery Fees for Samara Sections 1, 2 and 5	1,603,225
Total District Items	\$1,725,325
NET CONSTRUCTION COSTS	\$2,485,820
NON-CONSTRUCTION COSTS	
A Legal Fees	\$98,400
B Fiscal Agent Fees	42,750
C Interest Costs	
1. Capitalized Interest	158,244
2. Developer Interest	162,087
D Bond Discount	102,333
E Bond Issuance Expenses	23,980
F Bond Application Report Costs	50,000
G Developer Operating Advances	135,618
H District Creation Expenses	118,675
I Attorney General Fee	3,420
J TCEQ Bond Issuance Fee	8,550
K Contingency ^(a)	30,124
TOTAL NONCONSTRUCTION	\$934,180
TOTAL BOND ISSUE REQUIREMENT	\$3,420,000

^(a) Contingency represents the estimated and actual amounts of Capitalized Interest and the Bond Discount.

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

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SELECTED FINANCIAL INFORMATION (UNAUDITED)

General

January 1, 2024 Taxable Assessed Valuation	\$48,800,381 (a)
June 1, 2024 Estimated Taxable Assessed Valuation	\$103,858,229 (b)
Direct Debt (Includes the Bonds)	\$3,420,000
Estimated Overlapping Debt	9,282,914
Direct and Estimated Overlapping Debt	<u>\$12,702,914</u>
Direct Debt Ratios:	
as a percentage of January 1, 2024 Taxable Assessed Valuation	7.01%
as a percentage of June 1, 2024 Estimated Taxable Assessed Valuation	3.29%
Direct and Estimated Overlapping Debt Ratios	
as a percentage of January 1, 2024 Taxable Assessed Valuation	26.03%
as a percentage of June 1, 2024 Estimated Taxable Assessed Valuation	12.23%

- (a) The 2024 Taxable Assessed Valuation shown herein includes \$30,704,189 of certified value and \$18,096,192 of uncertified value. The uncertified value represents the Galveston Central Appraisal District’s (“GCAD”) opinion of the value; however, such value is subject to review and downward adjustment prior to certification. No tax will be levied on said uncertified value until it is certified by GCAD. See “TAX DATA” and “TAXING PROCEDURES.”
- (b) Provided by GCAD for informational purposes only. Such amount reflects an estimate of the taxable assessed value located within the District as of June 1, 2024, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2024 through June 1, 2024. No taxes will be levied against this amount.

District Bonds Authorized but Unissued

Date of Authorization	Purpose	Authorized	Issued To Date (a)	Amount Unissued (a)
05/01/2021	Water, Wastewater, Drainage	\$443,700,000	\$3,420,000	\$440,280,000
05/01/2021	Parks and Recreational Facilities	113,000,000	0	113,000,000
05/01/2021	Roads	287,000,000	0	287,000,000
05/01/2021	Refunding Water, Wastewater, Drainage	44,370,000	0	44,370,000
05/01/2021	Refunding Parks and Recreational Facilities	11,300,000	0	11,300,000
05/01/2021	Refunding Roads	28,700,000	0	28,700,000

- (a) Assumes issuance of the Bonds.

Cash and Investment Balances (Unaudited)

Operating Fund (as of July 9, 2024)	Cash and Temporary Investments	\$64,670
Debt Service Fund Balance (a)	Cash and Temporary Investments	\$147,169

- (a) Represents twelve (12) months of capitalized interest as of the Date of Delivery, which is expected to cover the District’s scheduled debt service payments prior to the collection of ad valorem tax revenues for such purposes. Neither Texas law nor the Bond Resolution requires that the District maintain any sum in the Debt Service Fund.

The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District’s portfolio.

Investment in U.S. Government Obligations, bank Certificates of Deposit and money market funds are generally representative of the District's investment practices. State law requires the District to report its investments each calendar quarter and upon the conclusion of each fiscal year. The District is required by state law to mark its investments to market price in these reports for the purpose of compliance with applicable accounting principles concerning the contents of the District's audited financial statements.

Estimated Overlapping Debt Statement

The following table indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the assessed valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information and no person is entitled to rely upon such information as being accurate or complete. Further, certain of the entities listed below may have issued additional bonds since the date cited.

<u>Taxing Body</u>	<u>Direct Debt</u>	<u>As of</u>	<u>Percent Overlapping Direct Debt</u>	<u>Overlapping Direct Debt</u>
League City	\$267,685,000	06/30/2024	0.43%	\$1,140,141
Galveston County	158,754,635	06/30/2024	0.11%	180,724
Mainland College	150,260,000	06/30/2024	0.30%	452,345
Dickinson ISD	448,075,000	06/30/2024	0.86%	3,839,885
Clear Creek ISD	941,640,000	06/30/2024	0.19%	1,751,511
Santa Fe ISD	75,450,000	06/30/2024	2.54%	1,918,308
Total Overlapping Debt:				\$9,282,914
The District (includes the Bonds):				\$3,420,000
Total Direct and Overlapping Debt:				\$12,702,914
Total Direct and Overlapping Debt Percent of 2024 Certified TAV:				26.03%
Total Direct and Overlapping Debt Percent of 2024 Estimated TAV:				12.23%

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DEBT SERVICE REQUIREMENTS

The following schedule sets forth the principal and estimated interest requirements on the Bonds.

Year End 12/31	Outstanding Debt Service	The Bonds				Total
		Principal Due 9/1	Interest Due 3/1	Interest Due 9/1	Total Principal & Interest	
2025	\$0.00	\$0.00	\$71,209.69	\$79,121.88	\$150,331.56	\$150,331.56
2026	0.00	65,000.00	79,121.88	79,121.88	223,243.75	223,243.75
2027	0.00	70,000.00	76,846.88	76,846.88	223,693.75	223,693.75
2028	0.00	75,000.00	74,396.88	74,396.88	223,793.75	223,793.75
2029	0.00	80,000.00	71,771.88	71,771.88	223,543.75	223,543.75
2030	0.00	85,000.00	68,971.88	68,971.88	222,943.75	222,943.75
2031	0.00	90,000.00	65,996.88	65,996.88	221,993.75	221,993.75
2032	0.00	90,000.00	62,846.88	62,846.88	215,693.75	215,693.75
2033	0.00	95,000.00	59,921.88	59,921.88	214,843.75	214,843.75
2034	0.00	105,000.00	56,834.38	56,834.38	218,668.75	218,668.75
2035	0.00	110,000.00	54,734.38	54,734.38	219,468.75	219,468.75
2036	0.00	115,000.00	52,534.38	52,534.38	220,068.75	220,068.75
2037	0.00	120,000.00	50,234.38	50,234.38	220,468.75	220,468.75
2038	0.00	125,000.00	47,834.38	47,834.38	220,668.75	220,668.75
2039	0.00	135,000.00	45,334.38	45,334.38	225,668.75	225,668.75
2040	0.00	140,000.00	42,634.38	42,634.38	225,268.75	225,268.75
2041	0.00	150,000.00	39,834.38	39,834.38	229,668.75	229,668.75
2042	0.00	160,000.00	36,834.38	36,834.38	233,668.75	233,668.75
2043	0.00	165,000.00	33,634.38	33,634.38	232,268.75	232,268.75
2044	0.00	175,000.00	30,231.25	30,231.25	235,462.50	235,462.50
2045	0.00	185,000.00	26,621.88	26,621.88	238,243.75	238,243.75
2046	0.00	195,000.00	22,806.25	22,806.25	240,612.50	240,612.50
2047	0.00	205,000.00	18,784.38	18,784.38	242,568.75	242,568.75
2048	0.00	215,000.00	14,556.25	14,556.25	244,112.50	244,112.50
2049	0.00	230,000.00	9,987.50	9,987.50	249,975.00	249,975.00
2050	0.00	240,000.00	5,100.00	5,100.00	250,200.00	250,200.00
	\$0.00	\$3,420,000.00	\$1,219,615.94	\$1,227,528.13	\$5,867,144.06	\$5,867,144.06

Average Annual Debt Service Requirements on the Bonds (Calendar Years 2025 – 2050): \$225,659

Maximum Annual Debt Service Requirement of the Bonds (Calendar Year 2050): \$250,200

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate and amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under the caption “THE BONDS – Source of Payment.” The Board is also authorized to levy and collect annual ad valorem taxes for the administration and maintenance of the District and the System and for the payment of certain contractual obligations if such taxes are authorized by vote of the District’s electors at an election. The District’s electors have authorized the levy of such a maintenance tax in the maximum amount of \$1.50 per \$100 of assessed valuation, and the District levied a maintenance tax of \$1.00 per \$100 of Assessed Valuation in 2023. See “TAX DATA – Maintenance Tax” and – “Historical Values and Tax Collection History.”

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 or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. See “TAX DATA – Exemptions.”

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.

Tax Abatement

Galveston County may designate all or part of the area within the District as a reinvestment zone. The City of League City also may designate property within its boundaries or its extraterritorial jurisdiction as a reinvestment zone. Thereafter, Galveston County, the District, or the City of League City at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. The terms of all tax abatement agreements need not be the same.

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the “Property Tax Code”) establishes an appraisal district and an appraisal review board in each county of the State. The appraisal district is governed by a board of directors elected by the governing bodies of cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district and of the county. The District is entitled to vote upon and participate in the selection of members of the board of directors of the GCAD. The board of directors selects a chief appraiser to manage the appraisal office of the appraisal district. All taxing units within Galveston County, including the District, are included in the GCAD. GCAD is responsible for appraising property within the District, subject to review by the Galveston Central Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax rolls and tax rate. The valuation and assessment of taxable property within the District is governed by the Property Tax Code.

Under current Texas law, the District is responsible for the levy and collection of its taxes and will continue to be so responsible unless the Board of Directors of the District, or the qualified voters of the District or of Galveston County at an election held for such purpose, determines to transfer such functions to the GCAD or another taxing unit.

Valuation of Property for Taxation

Generally, all taxable property in the District (other than any qualifying agricultural and timberland) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. However, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income, are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner’s business. Implementation of this amendment could reduce the assessed value of builder inventory within the District if any single-family residential development and building were to occur. See “TAX DATA – Principal Taxpayers” below. The Property Tax Code requires each appraisal district to implement a plan providing for reappraisal of all real property in the appraisal district at least once every three years. It is not known

what frequency of reappraisal will be utilized by the GCAD or whether reappraisals will be conducted on a zone or county-wide basis.

The Property Tax Code permits land designated for agricultural use 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. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use 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. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, land and timberland, prior to the loss of the designation.

The chief appraiser must give written notice on May 15, or as soon thereafter as practicable to each owner if the appraised value of his property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the appraisal review board may appeal the final determination by the appraisal review board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property. The rate of taxation is set by the Board based upon the assessed valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

Disaster Exemption

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

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 "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed 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.

Low Tax Rate Districts

Low Tax Rate Districts that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold 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 Low Tax Rate District is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts

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

Developing Districts

Districts that do not meet the classification of a Low Tax Rate District 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 Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors on an annual basis. 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. In tax year 2023, the Board qualified the District as a Developing District.

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. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based 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. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The owner of a residential homestead property who is a person sixty-five (65) years of age or older or under a disability for the purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on 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 taxes, penalties, and interest ultimately imposed for the year upon the property. The District's tax lien is on a parity with the tax liens of the other jurisdictions levying taxes on property within the District. 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. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit at any time after taxes become delinquent to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may also be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by the effects of market conditions on the foreclosure sales price, by the taxpayer's right to redeem the property within two years of foreclosure, or by bankruptcy proceedings which restrain or stay the collection of a taxpayer's debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

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TAX DATA

Classification of Assessed Valuation

The following table illustrates the composition of property located within the District since 2023.

	2024 Assessed Valuation ^(a)	2023 Assessed Valuation
Land	\$32,722,630	\$9,496,900
Improvements	24,055,230	0
Personal Property	23,370	0
	<u>\$56,801,230</u>	<u>\$9,496,900</u>
Exemptions	(8,000,849)	(9,303,340)
Total	<u>\$48,800,381</u>	<u>\$193,560</u>

(a) The 2024 Taxable Assessed Valuation shown herein includes \$30,704,189 of certified value and \$18,096,192 of uncertified value. The uncertified value represents the Galveston Central Appraisal District's ("GCAD") opinion of the value; however, such value is subject to review and downward adjustment prior to certification. No tax will be levied on said uncertified value until it is certified by GCAD. See "TAXING PROCEDURES."

Tax Collections

The following statement of tax collections set forth is the tax collections of the District for the past three (3) tax years. Such summary has been prepared by the Financial Advisor for inclusion herein based upon information obtained from records of the District's tax assessor/collector. Reference is made to such records for further and more complete information.

Tax Year	Assessed Valuation	Tax Rate	Levy	Collections Through May 31, 2024	
				Amount	%
2021	\$133,640	\$1.000	\$1,336	\$1,336	100.00%
2022	193,580	1.000	1,936	1,936	100.00%
2023	193,560	1.000	1,936	1,936	100.00%

District Tax Rates ^(a)

	2023	2022	2021
Debt Service Fund	\$0.000	\$0.000	\$0.000
Maintenance & Operation	1.000	1.000	1.000
Total	<u>\$1.000</u>	<u>\$1.000</u>	<u>\$1.000</u>

(a) The District has no outstanding debt payable from ad valorem taxes.

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).

Maintenance: \$1.50 per \$100 of assessed valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for operation and maintenance of the District and its improvements, if such maintenance tax is authorized by a vote of the District’s electorate. The District’s electors have authorized the levy of such a maintenance tax in the maximum amount of \$1.50 per \$100 of assessed valuation, and the District levied a maintenance tax of \$1.00 per \$100 of Assessed Valuation in 2023. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future.

Principal Taxpayers

The following list of top ten principal taxpayers was provided by the District's Tax Assessor/Collector based on the 2024 tax rolls of the District, which reflect ownership as of January 1 of each year.

Taxpayer	Property Type	2024
Lennar Homes of Texas Land ^(a)	Developer	\$34,343,690
Homeowner	Personal Property	356,630
Homeowner	Personal Property	338,610
Homeowner	Personal Property	317,860
Homeowner	Personal Property	317,740
Homeowner	Personal Property	317,000
Homeowner	Personal Property	313,370
Homeowner	Personal Property	310,590
Homeowner	Personal Property	297,440
Homeowner	Personal Property	292,640
		\$37,207,594
Percent of 2024 TAV ^(b)		76.24%

(a) Developer within the District. See “THE DEVELOPER.” Represents the only entity with interests owned by the Developer or its affiliates and subsidiaries that is a principal taxpayer engaged in development in the District and responsible for making the ad valorem tax payments to the District. The total assessed value attributable to entities with interest owned by the Developer or its affiliates and subsidiaries and that engaged in development and are responsible for making the ad valorem tax payments is more than 20% of the assessed value of the District. See “CONTINUING DISCLOSURE OF INFORMATION.”

(b) The calculation of the percent of principal taxpayers is based upon the 2024 Taxable Assessed Valuation, which includes \$30,704,189 of certified value and \$18,096,192 of uncertified value. The uncertified value represents the Galveston Central Appraisal District’s (“GCAD”) opinion of the value; however, such value is subject to review and downward adjustment prior to certification. No tax will be levied on said uncertified value until it is certified by GCAD. The entities that constitute the top ten taxpayers may change as properties under GCAD review are certified. See “TAX DATA” and “TAXING PROCEDURES.”

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements on the Bonds if no growth in the District occurs beyond the January 1, 2024 Taxable Assessed Valuation or the June 1, 2024 Estimate of Taxable Assessed Valuation. The calculations also assume collection of 95% of taxes levied, no use of District funds on hand, and the sale of no additional bonds by the District except the Bonds.

Average Annual Debt Service Requirements (2025 – 2050)	\$225,659
Tax Rate of \$0.49 on the January 1, 2024 Taxable Assessed Valuation produces	\$227,166
Tax Rate of \$0.23 on the June 1, 2024 Estimate of Assessed Valuation produces	\$226,930
Maximum Debt Service Requirement (2050)	\$250,200
Tax Rate of \$0.54 on the January 1, 2024 Taxable Assessed Valuation produces	\$250,346
Tax Rate of \$0.26 on the June 1, 2024 Estimate of Assessed Valuation produces	\$256,530

Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all taxes levied upon property located within the District. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see “DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Overlapping Entity	SFISD 2023 Tax Rate per \$100 AV	DISD 2023 Tax Rate per \$100 AV	CCISD 2023 Tax Rate per \$100 AV
City of League City	\$0.395000	\$0.395000	\$0.395000
Galveston County	0.334147	0.334147	0.334147
Mainland College	0.268500	0.268500	0.268500
Galveston County Road & Flood	0.007753	0.007753	0.007753
Santa Fe ISD (“SFISD”) ^(a)	1.100300	-	-
Dickinson ISD (“DISD”) ^(a)	-	1.178000	-
Clear Creek ISD (“CCISD”) ^(a)	-	-	0.944600
The District	1.000000	1.000000	1.000000
Total	\$3.105700	\$3.183400	\$2.950000

(a) The District encompasses land within Santa Fe ISD, Dickinson ISD and Clear Creek ISD. Taxpayers within the District are subject to only one school district tax.

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MANAGEMENT OF THE DISTRICT

The District is governed by a Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms. Elections are held in May of even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below.

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Cynthia Aldape	President	2028
Linda Dixon	Vice President	2028
Diane Perillo	Secretary	2028
Linda Bordeau	Assistant Secretary	2026
Carolyn Chapman	Assistant Vice President	2026

The District does not have a general manager but has contracted for services, as follows:

Bookkeeper – The District has engaged Myrtle Cruz, Inc. as the District’s Bookkeeper.

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

District Engineer – The District has engaged the firm LJA Engineering, Inc., Katy, Texas as District Engineer.

General Counsel – The District has engaged The Muller Law Group, PLLC, Sugar Land, Texas, as General Counsel and Bond Counsel in connection with the issuance of the Bonds. The fees paid to Bond Counsel by the District for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds. See “LEGAL MATTERS” and “TAX EXEMPTION.”

Disclosure Counsel – The District has engaged Orrick, Herrington & Sutcliffe LLP (“Disclosure Counsel”), Houston, Texas, as Disclosure Counsel in connection with the issuance of the Bonds. The fees paid to Disclosure Counsel by the District for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds. See “LEGAL MATTERS” and “TAX EXEMPTION.”

District Operator of Water and Sewer Facilities – The District’s water and sewer system is operated by the City of League City pursuant to the Utility Agreement between the District and League City. See “UTILITY AGREEMENT BETWEEN THE DISTRICT AND LEAGUE CITY.”

Auditor – The financial statements of the District as of May 31, 2023, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See “Appendix A.”

Financial Advisor – The District has engaged RBC Capital Markets, LLC as Financial Advisor to the District in connection with the issuance of the Bonds.

UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND LEAGUE CITY

Description

All land in the District is located within the city limits of the City of League City (“League City”). Shortly after the District was created, the District approved and ratified a Utility Agreement with League City dated January 22, 2019, (the “Utility Agreement”). The Utility Agreement obligates the District to acquire, construct, and extend water, sanitary sewer and drainage and road facilities (the “System”) to serve land in the District and, when completed in accordance with approved plans and specifications, the District is required to convey title to such utility facilities to League City. League City then operates and maintain such facilities, and is responsible for establishing water and sewer rates and collection charges for water and sewer service from District residents. League City also levies and collects ad valorem taxes on taxable property within the District just as it does with any other property located in League City. As specified in the Utility Agreement, the District is a “City Service” district and no rebate of City taxes is made by the City.

The Utility Agreement provides certain limitations related to the issuance of bonds payable from ad valorem taxes and the District must receive City consent prior to the sale of any such bonds.

The Utility Agreement provides that the District retains a security interest in the System to secure League City's performance under the Utility Agreement until the District's bonds have been discharged. The District will then execute a release of such security interest, and League City will then own the System free and clear.

The District has agreed to extend the System to serve future users as necessary so that ultimately all land owners in the District will be in a position to receive services from the System; however, the District's obligation to extend the system is conditioned upon League City performing under the provisions of the Utility Agreement, the satisfaction of certain determinations of economic feasibility, governmental agency approvals and the ability of the District to sell bonds.

THE SYSTEM

Water, Sanitary Sewer, and Drainage System

According to the District's Engineer, LJA Engineering, Inc. ("Engineer"), the System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies.

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

Source of Water Supply: Water supply for League City is obtained from three sources: 1) existing groundwater wells; 2) surface water as a participant through the Gulf Coast Water Authority in the City of Houston's Southeast Water Purification Plant; and 3) surface water from the Gulf Coast Water Authority from the Thomas Mackey Water Purification Plant. Water from these three sources is delivered to League City's nine water plants and from there distributed to retail customers such as the residents of the District.

Source of Wastewater Treatment: The District has constructed a lift station, force main and gravity trunk sewer to connect to the City's regional sewer system, which flows to the City's Southwest Water Reclamation Facility. This plant has sufficient capacity to serve the District through build out.

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 not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. The District's drainage system has been designed and constructed to all current standards.

None of the developable acreage within the District is located within the 100-year flood plain. Additionally, the District's storm water drainage system has been designed and constructed in accordance with current applicable regulatory standards for a development of this size and location.

LEGAL MATTERS

Legal Proceedings

The District will furnish the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds. Such transcript will include a copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the levy of ad valorem taxes without limitation as to rate or amount. The District will also furnish the legal opinion of The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Texas Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against taxable property within the District and that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes as further described in "TAX EXEMPTION."

In its capacity as Bond Counsel, The Muller Law Group, PLLC, has reviewed the information appearing in this Official Statement under the captions "THE BONDS," "TAXING PROCEDURES," "THE DISTRICT – Authority" and – "Management of the District – Counsel," "LEGAL MATTERS – Legal Opinions," "TAX EXEMPTION" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes the procedures, law and documents referred to therein and conforms to the requirements of applicable laws and ordinances of League City with regard to the sale of the Bonds. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has Bond Counsel conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of the information contained in 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 opinions of any kind with regard to, the accuracy or completeness of any of the other factual information contained herein.

No Arbitrage

The District will certify on the date the Bonds are delivered and paid for that based upon all facts and estimates now known or reasonably expected to be in existence, 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 Section 148 of the Internal Revenue Code of 1986 (the "Code") and the regulations prescribed from time to time 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 have been authorized to certify to the facts, 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 will covenant in the Bond Resolution that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures, including without limitation, calculation of the yield on the Bonds, as may be required so that the Bonds will not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President or Vice President and Secretary or Assistant 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 non-encumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX EXEMPTION

Opinion of Bond Counsel

In the opinion of Bond Counsel, under current law, interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code for the alternative minimum tax imposed on such corporations. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel's opinion is given in reliance upon certifications by representatives of the District as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The District has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the District to comply with such covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations and exclusions that are a part of the conclusions therein. See "*Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions*", 63 Bus. Law. 1277 (2008) and "*Legal Opinion Principles*", 53 Bus. Law. 831 (May 1998). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue Service (the "Service") or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

Alternative Minimum Tax

Individuals – Bond Counsel's opinion states that under current law interest on the Bonds is not an item of reference and is not subject to the alternative minimum tax on individuals.

Applicable Corporations – Bond Counsel's opinion also states that under current law interest on the Bonds is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an "applicable corporation" generally is a corporation with average annual adjusted financial statement income for a 3-taxable-year period ending after December 31, 2021 that exceeds \$1 billion.

Other Tax Matters

The Bonds are not designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations.

Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state, local, or foreign jurisdiction.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the District as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

There are many events that could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

Original Issue Discount

Some of the Bonds may be sold at initial sale prices that are less than their respective stated redemption prices payable at maturity (collectively, the "Discount Bonds"). The excess of (i) the stated redemption price at maturity of each maturity of the Discount Bonds, over (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Discount Bonds is sold will constitute original issue discount. Original issue discount will accrue for federal income tax purposes on a constant-yield-to-maturity method based on regular compounding; and a holder's basis in such a Bond will be increased by the amount of original issue discount treated for federal income tax purposes as having accrued on the Bond while the holder holds the Bond.

Under the Code, for purposes of determining a holder's adjusted basis in a Discount Bond, original issue discount treated as having accrued while the holder holds the Bond will be added to the holder's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on semiannual compounding. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a Discount Bond.

Prospective purchasers of Discount Bonds should consult their own tax advisors as to the calculation of accrued original issue discount and the state and local tax consequences of owning or disposing of such Bonds.

Bond Premium

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

SOURCES OF INFORMATION

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Galveston Central Appraisal District and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below under the caption "Certification of Official Statement." The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. The financial statements of the District as of May 31, 2023, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Consultants

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the section captioned "THE SYSTEM" has been provided by LJA Engineering, Inc., Katy, Texas. Such information has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to the assessed valuations of property generally and, in particular, that information concerning principal taxpayers, tax collection rates and valuations contained in the sections captioned "TAX DATA" and "SELECTED FINANCIAL INFORMATION" has been provided by the Galveston Central Appraisal District and the Galveston County Tax Office.

Updating of Official Statement

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

Certification of Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data contained in this Official Statement, of or pertaining to entities other than the District and their activities are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (“SEC”) regarding the District’s continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other agreement with respect to payment of the bonds. As required by Rule 15c2-12 of the SEC (the “Rule”), and in the Bond Resolution, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system for such purpose.

Annual Reports

The District will provide certain updated financial information and operating data, which is customarily prepared by the District and publicly available, annually to the MSRB. The financial information and operating data which will be provided with respect to the District is found in the sections titled “SELECTED FINANCIAL INFORMATION” (except “Estimate of Overlapping Debt Statement”) and “TAX DATA” and in APPENDIX A (Independent Auditor’s Report and Financial Statements and certain supplemental schedules). The District will update and provide this information to EMMA within six months after the end of each of its fiscal years ending in or after 2024. Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six-month period, and audited financial statements when the audit report becomes available. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule.

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

The District's fiscal year end is currently May 31. Accordingly, it must provide updated information by the last day of November, 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 determination 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 events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution 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, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

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

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders 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 only if (1) the amendment is made in connection with a change in circumstances that arise from a change in legal requirements, change in law, or change in the identity, nature, or status of the District; (2) the agreement, as amended, would have complied with SEC Rule 15c2-12 at the date of sale of the Bonds, taking into account any amendments or interpretations of the SEC Rule 15c2-12 as well as any change in circumstances; and (3) the District receives an opinion of nationally recognized bond counsel to the effect that the amendment does not materially impair the interests of the holders and beneficial owners of the Bonds. If any such amendment is made, the District will include in its next annual update an explanation in narrative form of the reasons for the change and its impact on the type of operating data or financial information being provided.

Compliance with Prior Undertakings

The District has not previously entered into any continuing disclosure undertaking pursuant to Rule 15c2-12.

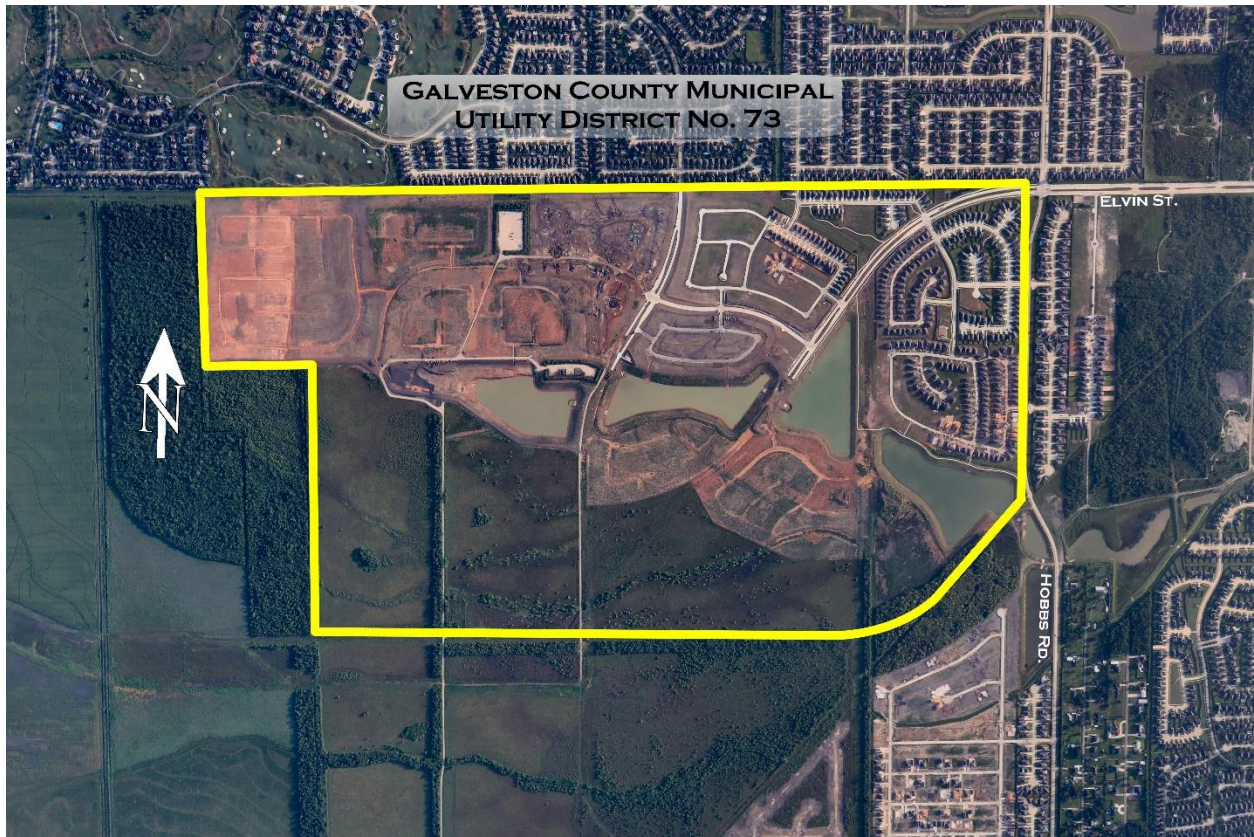
This Official Statement is duly approved by the Board of Directors of the District as of the date specified on the first page hereof.

/s/ _____
Cynthia Aldape
President, Board of Directors
Galveston County Municipal Utility District No. 73

ATTEST:

/s/ _____
Diane Perillo
Secretary, Board of Directors
Galveston County Municipal Utility District No. 73

AERIAL PHOTOGRAPH
(July 2024)



DISTRICT PHOTOGRAPHS
(July 2024)





APPENDIX A

Independent Auditor's Report and Financial Statements for the Year Ended May 31, 2023

**GALVESTON COUNTY MUNICIPAL
UTILITY DISTRICT NO. 73**

GALVESTON COUNTY, TEXAS

FINANCIAL REPORT

May 31, 2023

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Galveston County Municipal Utility District No. 73
Galveston County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and General Fund of Galveston County Municipal Utility District No. 73 (the "District"), as of and for the year ended May 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Galveston County Municipal Utility District No. 73, as of May 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

*Board of Directors
Galveston County Municipal Utility District No. 73
Galveston County, Texas*

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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



Houston, Texas
September 12, 2023

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Management's Discussion and Analysis

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***Galveston County Municipal Utility District No. 73
Management's Discussion and Analysis
May 31, 2023***

Using this Annual Report

Within this section of the financial report of Galveston County Municipal Utility District No. 73 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

***Galveston County Municipal Utility District No. 73
Management's Discussion and Analysis
May 31, 2023***

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at May 31, 2023, was negative \$6,563,349. The District's net position is negative because the District incurs debt to construct water, sewer, drainage, and road facilities which it conveys to the City of League City. Additionally, the District relies on advances from its developer to fund operating costs. A comparative summary of the District's overall financial position, as of May 31, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 4,650	\$ 8,387
Capital assets	7,228,130	410,950
Total assets	<u>7,232,780</u>	<u>419,337</u>
Current liabilities	31,977	11,217
Long-term liabilities	13,764,152	1,298,045
Total liabilities	<u>13,796,129</u>	<u>1,309,262</u>
Net position		
Net investment in capital assets	(50,630)	(21,628)
Unrestricted	<u>(6,512,719)</u>	<u>(868,297)</u>
Total net position	<u>\$ (6,563,349)</u>	<u>\$ (889,925)</u>

Galveston County Municipal Utility District No. 73
Management's Discussion and Analysis
May 31, 2023

The total net position of the District decreased during the current fiscal year by \$5,673,424. A comparative summary of the District's *Statement of Activities* for the current and prior fiscal year (unaudited) is as follows:

	2023	2022
Revenues		
Property taxes, penalties and interest	\$ 2,272	\$ 1,402
Other	100	
Total revenues	<u>2,372</u>	<u>1,402</u>
Expenses		
Operating and administrative	149,869	184,850
Depreciation and amortization	29,002	10,814
Total expenses	<u>178,871</u>	<u>195,664</u>
Change in net position before other item	(176,499)	(194,262)
Other item		
Transfers to other governments	<u>(5,496,925)</u>	<u>(684,849)</u>
Change in net position	(5,673,424)	(879,111)
Net position, beginning of year	<u>(889,925)</u>	<u>(10,814)</u>
Net position, end of year	<u>\$ (6,563,349)</u>	<u>\$ (889,925)</u>

Financial Analysis of the District's General Fund

Fund balance in the District's General Fund as of May 31, 2023 was negative \$27,468. A comparative summary of the General Fund's financial position as of May 31, 2023 and 2022 is as follows:

	2023	2022
Total assets	<u>\$ 4,650</u>	<u>\$ 8,387</u>
Total liabilities	\$ 31,977	\$ 11,217
Total deferred inflows	141	617
Total fund balance	<u>(27,468)</u>	<u>(3,447)</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 4,650</u>	<u>\$ 8,387</u>

Galveston County Municipal Utility District No. 73
Management’s Discussion and Analysis
May 31, 2023

A comparative summary of the General Fund’s activities for the current and prior fiscal year (unaudited) is as follows:

	2023	2022
Total revenues	\$ 2,848	\$ 785
Total expenditures	(149,869)	(184,850)
Revenues under expenditures	(147,021)	(184,065)
Other changes in fund balance	123,000	180,618
Net change in fund balance	\$ (24,021)	\$ (3,447)

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District’s primary financial resources in the General Fund are from a property tax levy and developer advances. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.
- The District’s developer advances funds to the District as needed to pay operating costs.

General Fund Budgetary Highlights

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

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$24,721 less than budgeted. The *Budgetary Comparison Schedule* on page 28 of this report provides variance information per financial statement line item.

Capital Assets

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

Galveston County Municipal Utility District No. 73
Management's Discussion and Analysis
May 31, 2023

Capital assets held by the District at May 31, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Capital assets not being depreciated		
Land and improvements	\$ 6,300,546	\$ -
Capital assets being depreciated/amortization		
Interest in joint facilities	432,578	432,578
Landscaping improvements	545,636	
	<u>978,214</u>	<u>432,578</u>
Less accumulated depreciation/amortization		
Interest in joint facilities	(32,442)	(21,628)
Landscaping improvements	(18,188)	
	<u>(50,630)</u>	<u>(21,628)</u>
Depreciable capital assets, net	<u>927,584</u>	<u>410,950</u>
Capital assets, net	<u>\$ 7,228,130</u>	<u>\$ 410,950</u>

Capital asset additions during the current year include Samara Phase 1 detention and grading and Samara Section 1 hardscape improvements.

The District and the City of League City (the “City”) have entered into an agreement which obligates the District to construct water, wastewater, certain storm drainage, and road facilities to serve the District and, when completed, to convey title to the facilities to the City. Detention and park and recreational facilities and certain other capital assets are retained by the District. For the year ended May 31, 2023, capital assets in the amount of \$5,496,925 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of May 31, 2023, the District owes approximately \$13,764,152 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District’s financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$27,208,253 for projects under construction by the developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At May 31, 2023, the District had \$443,700,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$44,370,000 for the refunding of such bonds; \$113,000,000 for parks and

**Galveston County Municipal Utility District No. 73
 Management’s Discussion and Analysis
 May 31, 2023**

recreational facilities and \$11,300,000 for the refunding of such bonds; and \$287,000,000 for road improvements and \$28,700,000 for the refunding of such bonds.

Next Year’s Budget

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

	<u>2023 Actual</u>	<u>2024 Budget</u>
Total revenues	\$ 2,848	\$ -
Total expenditures	<u>(149,869)</u>	<u>(207,900)</u>
Revenues under expenditures	(147,021)	(207,900)
Other changes in fund balance	<u>123,000</u>	<u>210,000</u>
Net change in fund balance	(24,021)	2,100
Beginning fund balance	<u>(3,447)</u>	<u>(27,468)</u>
Ending fund balance	<u><u>\$ (27,468)</u></u>	<u><u>\$ (25,368)</u></u>

Property Taxes

The District’s property tax base decreased approximately \$20 for the 2023 tax year from \$193,580 to \$193,560.

Basic Financial Statements

Galveston County Municipal Utility District No. 73
Statement of Net Position and Governmental Fund Balance Sheet
May 31, 2023

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 4,509	\$ -	\$ 4,509
Taxes receivable	141		141
Capital assets not being depreciated		6,300,546	6,300,546
Capital assets, net		927,584	927,584
Total Assets	<u>\$ 4,650</u>	<u>7,228,130</u>	<u>7,232,780</u>
Liabilities			
Accounts payable	\$ 31,977		31,977
Due to developer		13,764,152	13,764,152
Total Liabilities	<u>31,977</u>	<u>13,764,152</u>	<u>13,796,129</u>
Deferred Inflows of Resources			
Deferred property taxes	<u>141</u>	<u>(141)</u>	
Fund Balances/Net Position			
Fund Balances			
Unassigned	<u>(27,468)</u>	<u>27,468</u>	
Total Fund Balances	<u>(27,468)</u>	<u>27,468</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,650</u>		
Net Position			
Net investment in capital assets		(50,630)	(50,630)
Unrestricted		<u>(6,512,719)</u>	<u>(6,512,719)</u>
Total Net Position		<u>\$ (6,563,349)</u>	<u>\$ (6,563,349)</u>

See notes to basic financial statements.

Galveston County Municipal Utility District No. 73
Statement of Activities and Governmental Fund Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended May 31, 2023

	General Fund	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 2,412	\$ (476)	\$ 1,936
Penalties and interest	336		336
Miscellaneous	90		90
Investment earnings	10		10
Total Revenues	<u>2,848</u>	<u>(476)</u>	<u>2,372</u>
Expenditures/Expenses			
Operating and administrative			
Professional fees	99,621		99,621
Contracted services	9,057		9,057
Repairs and maintenance	25,735		25,735
Administrative	14,073		14,073
Other	1,383		1,383
Depreciation/amortization		29,002	29,002
Total Expenditures/Expenses	<u>149,869</u>	<u>29,002</u>	<u>178,871</u>
Revenues Under Expenditures/Expenses	(147,021)	(29,478)	(176,499)
Other Financing Sources			
Developer advances	123,000	(123,000)	
Other Items			
Transfers to other governments		(5,496,925)	(5,496,925)
Net Change in Fund Balances	(24,021)	24,021	
Change in Net Position		(5,673,424)	(5,673,424)
Fund Balance/Net Position			
Beginning of the year	(3,447)	(886,478)	(889,925)
End of the year	<u>\$ (27,468)</u>	<u>\$ (6,535,881)</u>	<u>\$ (6,563,349)</u>

See notes to basic financial statements.

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Galveston County Municipal Utility District No. 73
Notes to Financial Statements
May 31, 2023

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Galveston County Municipal Utility District No. 73 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated July 22, 2019, pursuant to Article XVI, Section 59 of the Texas Constitution and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on January 19, 2021.

The District is responsible for providing water, sewer and drainage facilities within the District. As further discussed in Note 10, the District transfers the water and sewer facilities to the City of League City for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. The District uses only a General Fund to account for its operations. The District’s principal financial resources are property taxes and developer advances. Expenditures include costs associated with the daily operations of the District.

Galveston County Municipal Utility District No. 73
Notes to Financial Statements
May 31, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

Measurement Focus and Basis of Accounting

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

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

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At May 31, 2023, an allowance for uncollectible accounts was not considered necessary.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

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

Assets	Useful Life
Interest in joint facilities	Remaining life of contract
Park improvements	30 years

The District’s detention facilities and drainage channels are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District does not have any restricted fund balances.

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Galveston County Municipal Utility District No. 73
Notes to Financial Statements
May 31, 2023

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$ (27,468)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	7,228,130
Amounts due to the District's developer for prefunded construction and developer advances are recorded as a liability in the <i>Statement of Net Position</i> .	(13,764,152)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.	141
Total net position - governmental activities	<u><u>\$ (6,563,349)</u></u>

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

Net change in fund balances - total governmental funds	\$ (24,021)
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes.	(476)
In the <i>Statement of Activities</i> , the cost of capital assets is charged to depreciation/amortization expense over the estimated useful life of the asset.	(29,002)
The District conveys its infrastructure to the City of League City upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments.	(5,496,925)
Amounts received from the District's developer for operating advances provide financial resources at the fund level, but are recorded as a liability in the <i>Statement of Net Position</i> .	(123,000)
Change in net position of governmental activities	<u><u>\$ (5,673,424)</u></u>

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

Galveston County Municipal Utility District No. 73
Notes to Financial Statements
May 31, 2023

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended May 31, 2023, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ -	\$ 6,300,546	\$ 6,300,546
Capital assets being depreciated/amortized			
Interest in joint facilities	432,578		432,578
Landscaping improvements		545,636	545,636
	<u>432,578</u>	<u>545,636</u>	<u>978,214</u>
Less accumulated depreciation/amortization			
Interest in joint facilities	(21,628)	(10,814)	(32,442)
Landscaping improvements		(18,188)	(18,188)
	<u>(21,628)</u>	<u>(29,002)</u>	<u>(50,630)</u>
Subtotal depreciable capital assets, net	<u>410,950</u>	<u>516,634</u>	<u>927,584</u>
Capital assets, net	<u>\$ 410,950</u>	<u>\$ 6,817,180</u>	<u>\$ 7,228,130</u>

Depreciation/amortization expense for the current year was \$29,002.

Note 5 – Due to Developers

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

The District’s developers have also advanced funds to the District for operating expenses.

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

Due to developers, beginning of year	\$ 1,298,045
Developer funded construction and adjustments	12,343,107
Operating advances from developers	<u>123,000</u>
Due to developers, end of year	<u>\$ 13,764,152</u>

Galveston County Municipal Utility District No. 73
Notes to Financial Statements
May 31, 2023

Note 5 – Due to Developers (continued)

In addition, the District will owe the developers approximately \$27,208,253, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percent Complete
Samara detention and grading Phase 2	\$ 6,577,547	13%
Ervin Street, Phase 1- utilities, paving and sanitary sewer trunk system	3,719,264	85%
Ervin Street, Phase 2 - utilities	929,242	81%
Ervin Street Phase 2 - paving	1,895,000	3%
Samara Section 2 - utilities and paving	3,967,549	90%
Samara Section 3 - utilities	1,222,000	87%
Samara Section 3 - paving	1,069,348	81%
Samara Section 4 - utilities	1,085,000	96%
Samara Section 4 - paving	692,578	81%
Samara Section 5 - utilities	748,609	82%
Samara Section 5 - paving	725,545	28%
Samara Section 6 - utilities	985,549	0%
Samara Section 6 - paving	660,000	0%
Lift station	2,030,500	0%
Samara Section 1 - softscape improvements	606,118	43%
Samara Ervin Phase 2 - landscape improvements	189,065	3%
Samara Section 4 - landscape improvements	105,339	0%
	<u>\$ 27,208,253</u>	

Note 6 – Long-Term Debt

At May 31, 2023, the District had authorized but unissued bonds in the amount of \$443,700,000 for water, sanitary sewer and drainage systems within the District and \$44,370,000 for the refunding of such bonds; \$113,000,000 for parks and recreational facilities and \$11,300,000 for the refunding of such bonds; and \$287,000,000 for road improvements and \$28,700,000 for the refunding of such bonds.

Note 7 – Property Taxes

On May 12, 2021, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. In addition, the voters of the District authorized the District’s Board of Directors to levy taxes annually for road maintenance limited to \$0.25 per \$100 of assessed value.

Galveston County Municipal Utility District No. 73
Notes to Financial Statements
May 31, 2023

Note 7 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$1.00 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$1,936 on the adjusted taxable value of \$193,580.

Note 8 – Transfers to Other Governments

In accordance with an agreement between the District and the City of League City (the "City"), the District transfers all of its water, sewer, drainage and road facilities to the City (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended May 31, 2023, the District reported transfers to other governments in the amount of \$5,496,925 for projects completed and transferred to the City.

Note 9 – Cost Sharing and Operating Agreement with Bay Colony West MUD

On April 27, 2021, the District and Bay Colony West Municipal Utility District No. 73 (BCW MUD), entered into a Cost Sharing and Operating Agreement (the "Agreement"), for the construction of a detention pond and other drainage improvements. Each district agrees to share the costs of the detention pond and drainage improvements as stated in the Agreement. Upon completion of construction, the detention pond and drainage improvements will be maintained and operated by BCW MUD, which, will bill the District for its pro rata of all reasonable operation and maintenance costs.

Note 10 – Utility Agreement with the City of League City

On January 22, 2019, the District entered into a utility agreement with the City of League City (the "City") for construction and extension of water distribution lines, sanitary sewer collection systems, storm drainage, and road facilities to serve the District. As the system is acquired or constructed, the District shall transfer the system to the City but will reserve a security interest in the system and provide service to all users in the District. The term of the agreement is 40 years.

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

Galveston County Municipal Utility District No. 73
Notes to Financial Statements
May 31, 2023

Note 11 – Risk Management

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

Note 12 – Economic Dependency

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

Required Supplementary Information

Galveston County Municipal Utility District No. 73
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended May 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ -	\$ 2,412	\$ 2,412
Penalties and interest		336	336
Miscellaneous		90	90
Investment earnings		10	10
Total Revenues		2,848	2,848
Expenditures			
Operating and administrative			
Professional fees	145,000	99,621	45,379
Contracted services	15,000	9,057	5,943
Repairs and maintenance	3,000	25,735	(22,735)
Administrative	16,800	14,073	2,727
Other	2,500	1,383	1,117
Total Expenditures	182,300	149,869	32,431
Revenues Under Expenditures	(182,300)	(147,021)	35,279
Other Financing Sources			
Developer advances	183,000	123,000	(60,000)
Net Change in Fund Balance	700	(24,021)	(24,721)
Fund Balance			
Beginning of the year	(3,447)	(3,447)	
End of the year	\$ (2,747)	\$ (27,468)	\$ (24,721)

Galveston County Municipal Utility District No. 73
Notes to Required Supplementary Information
May 31, 2023

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Galveston County Municipal Utility District No. 73
TSI-1. Services and Rates
May 31, 2023

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

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

2. Retail Service Providers

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

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

District employs winter averaging for wastewater usage? Yes No

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

b. Water and Wastewater Retail Connections:

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

See accompanying auditor's report.

Galveston County Municipal Utility District No. 73
TSI-1. Services and Rates
May 31, 2023

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

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

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

Does the District have Debt Service standby fees? Yes No

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

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

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

5. Location of District:

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Galveston County

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

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

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

Entirely Partly Not at all

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditors' report.

Galveston County Municipal Utility District No. 73
TSI-2. General Fund Expenditures
For the Year Ended May 31, 2023

Professional fees	
Legal	\$ 84,242
Audit	3,500
Engineering	11,879
	<u>99,621</u>
Contracted services	
Bookkeeping	8,900
Delinquent tax attorney	145
Appraisal district fees	12
	<u>9,057</u>
Repairs and maintenance	<u>25,735</u>
Administrative	
Directors fees	5,400
Printing and office supplies	2,925
Insurance	5,108
Other	640
	<u>14,073</u>
Other	<u>1,383</u>
Total expenditures	<u>\$ 149,869</u>

See accompanying auditors' report.

Galveston County Municipal Utility District No. 73
TSI-4. Taxes Levied and Receivable
May 31, 2023

	Maintenance Taxes	
Taxes Receivable, Beginning of Year	\$	617
2022 Original Tax Levy		1,936
Total to be accounted for		2,553
Tax collections:		
Current year		1,795
Prior years		617
Total Collections		2,412
Taxes Receivable, End of Year	\$	141
Taxes Receivable, By Years		
2022	\$	141
	2022	2021
Property Valuations:		
Land	\$ 7,034,530	\$ 6,980,730
Exemptions	(6,840,950)	(6,847,090)
Total Property Valuations	\$ 193,580	\$ 133,640
Tax Rates per \$100 Valuation:		
Maintenance tax rates	\$ 1.00	\$ 1.00
Adjusted Tax Levy:	\$ 1,936	\$ 1,336
Percentage of Taxes Collected to Taxes Levied **	92.73%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 12, 2021

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on May 12, 2021

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

See accompanying auditors' report.

Galveston County Municipal Utility District No. 73

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Two Fiscal Years

	Amounts		Percent of Fund Total	
	2023	2022**	2023	2022**
Revenues				
Property taxes	\$ 2,412	\$ 720	85%	92%
Penalties and interest	336	65	12%	8%
Miscellaneous	90		3%	
Investment earnings	10		*	
Total Revenues	<u>2,848</u>	<u>785</u>	<u>100%</u>	<u>100%</u>
Expenditures				
Operating and administrative				
Professional fees	99,621	134,005	3498%	17071%
Contracted services	9,057	10,645	318%	1356%
Repairs and maintenance	25,735		904%	
Administrative	14,073	38,362	494%	4887%
Other	1,383	1,838	49%	234%
Total Expenditures	<u>149,869</u>	<u>184,850</u>	<u>5263%</u>	<u>23548%</u>
Revenues Under Expenditures	<u>\$ (147,021)</u>	<u>\$ (184,065)</u>	<u>(5,163%)</u>	<u>(23,448%)</u>

*Percentage is negligible

** Unaudited

See accompanying auditors' report.

Galveston County Municipal Utility District No. 73
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 2023

Complete District Mailing Address: 202 Century Square Blvd, Sugar Land, TX 77478
District Business Telephone Number: (281) 500-6050
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): September 23, 2022
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Cynthia Aldape	5/21 - 5/24	\$ 1,350	\$ 33	President
Linda Dixon	12/21 - 5/24	1,050	48	Vice President
Diane Perillo	5/21 - 5/24	1,350	18	Secretary
Linda Bordeau	8/22 - 5/26	1,200	86	Assistant Vice President
Vacant				Assistant Secretary
Rebecca Clark	5/21 - 2/23	450	42	Former Director
Consultants				
The Muller Law Group	2021	\$ 91,421		Attorney
Myrtle Cruz, Inc	2021	9,951		Bookkeeper
Assessments of the Southwest, Inc.	2021			Tax Collector
Galveston Central Appraisal District	Legislature	12		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2021	145		Delinquent Tax Attorney
LJA Engineering, Inc.	2021	8,942		Engineer
McGrath & Co., PLLC	Annual	3,500		Auditor
RBC Capital Markets, LLC	2021			Financial Advisor

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

See accompanying auditors' report.

APPENDIX B
Specimen Municipal Bond Insurance Policy



BAM

**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

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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)

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