

OFFICIAL STATEMENT DATED JANUARY 18, 2022

NEW ISSUE-BOOK-ENTRY-ONLY

RATINGS: AGM Insured S&P "AA" (stable outlook), Moody's "A2" (stable outlook);
Underlying Rating: Moody's "A2"
See "MUNICIPAL BOND RATINGS" AND "BOND INSURANCE"

Delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein and will not be included in the alternative minimum taxable income of the owners thereof.

THE BONDS HAVE NOT BEEN DESIGNATED AS QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations for Financial Institutions."

\$17,685,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 55
(A Political Subdivision of the State of Texas Located in Harris County, Texas)

UNLIMITED TAX BONDS, SERIES 2022

Dated: February 15, 2022

Due: February 1, as shown on inside cover page

The \$17,685,000 Unlimited Tax Bonds, Series 2022 (the "Bonds"), are obligations solely of Harris County Municipal Utility District No. 55 (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District.

Interest on the Bonds will accrue from February 15, 2022 and is payable August 1, 2022 and each February 1 and August 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds will initially be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrant for the Bonds shall be BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar").

The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after February 1, 2029 in whole or from time to time in part, on February 1, 2028, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.

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 **ASSURED GUARANTY MUNICIPAL CORP.** See "BOND INSURANCE."



**MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS,
REDEMPTION PROVISIONS, AND CUSIP NUMBERS**
(see inside cover page)

The proceeds from the sale of the Bonds will be used to finance: (i) City of Houston Southeast Transmission Line replacement; (ii) Blackhawk Regional Wastewater Treatment Plant ("WWTP") Aeration System rehabilitation; (iii) Blackhawk Regional Wastewater Treatment Plant ("WWTP") capital improvements; (iv) City of Houston Southeast Water Purification Plant capital improvements; (v) sanitary sewer manhole rehabilitation; (vi) District waterline rehabilitation; (vii) water plant no. 1 improvements; (viii) elevated storage tank improvements and maintenance; (ix) Blue Mesa Lift Station rehabilitation; (x) force main inspection; (xi) sanitary sewer system inspection; (xii) District GIS System; (xiii) District water meter replacement; (xiv) materials testing for items (ii) through (xi) with 10% contingencies; (xv) contingencies for items (ii) through (xiii); and (xvi) engineering for items (ii) through (xi). In addition, proceeds of the Bonds will be used to pay engineering fees and certain costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

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

The Bonds are offered by the initial purchaser of the Bonds (the "Initial Purchaser") subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Houston Texas, Bond Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about February 15, 2022 in Houston, Texas.

MATURITIES
(Due February 1)

CUSIP Prefix: 414912

Due	Principal Amount	Interest Rate^(a)	Initial Reoffering Yield^(b)	CUSIP Suffix^(c)	Due	Principal Amount	Interest Rate^(a)	Initial Reoffering Yield^(b)	CUSIP Suffix^(c)
2023	\$ 5,000	3.000%	0.750%	VP7	2032 *	\$1,170,000	2.00%	2.00%	VY8
2024	5,000	3.000%	0.900%	VQ5	2033 *	1,205,000	2.00%	2.10%	VZ5
2025	5,000	3.000%	1.050%	VR3	2034 *	1,240,000	2.10%	2.20%	WA9
2026	5,000	3.000%	1.250%	VS1	2035 *	1,270,000	2.20%	2.30%	WB7
2027	5,000	3.000%	1.400%	VT9	2036 *	1,305,000	2.30%	2.40%	WC5
2028	1,050,000	3.000%	1.450%	VU6	2037 *	1,345,000	2.35%	2.47%	WD3
2029 *	1,080,000	2.000%	1.600%	VV4	2038 *	1,380,000	2.40%	2.53%	WE1
2030 *	1,110,000	2.000%	1.750%	VW2	2039 *	1,415,000	2.50%	2.59%	WF8
2031 *	1,140,000	2.000%	1.900%	VX0					
\$2,950,000 2.500% ^(a) Term Bond due February 1, 2041* Yield 2.600% ^(b) CUSIP Suffix WH4 ^{(c)(d)}									

* Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after February 1, 2029 in whole or from time to time in part, on February 1, 2028, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS - Redemption."

(a) After requesting competitive bids for purchase of the Bonds, the District will accept the lowest bid to purchase the Bonds, bearing interest as shown, at a price of 98.2725% of par plus accrued interest to the date of delivery, resulting in a net effective interest rate to the District of 2.448507%.

(b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser. The yields may be changed at any time at the discretion of the Initial Purchaser.

(c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services provided by CUSIP Global Services. Neither the Initial Purchaser, the District, nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

(d) The Term Bond maturing February 1, 2041 (the "Term Bond") is also subject to mandatory sinking fund redemption. See "THE BONDS – Redemption."

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

Any 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 purposes of, and as that term is defined in, the Rule.

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

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this "Official Statement" nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the 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, to the extent that information actually comes to its attention, until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT - Updating the Official Statement During Underwriting Period."

The statements contained in this Official Statement, and in other information provided by the District, that are not purely historical, are forward-looking statements, including regarding the District's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. See "INVESTMENT CONSIDERATIONS – Forward-Looking Statements."

NEITHER THE DISTRICT NOR THE FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

THE CONTENTS OF THIS OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.

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

SALE AND DISTRIBUTION PRICES AND MARKETABILITY OF THE BONDS

Initial Purchaser

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets (the "Initial Purchaser" or the "Underwriter") bearing the lowest interest rates shown on the inside cover page hereof, at a price of 98.2725% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 2.448507%, as calculated pursuant to Texas Government Code Chapter 1204, as amended (the "IBA" method).

Issue Price Certificate

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds, stating the prices at which the Bonds of each maturity has been sold or offered to the public. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may

sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

MUNICIPAL BOND RATINGS

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) and Moody’s Investors Services, Inc. (“Moody’s”) are expected to assign insured ratings of “AA” (stable outlook) and “A2” (stable outlook), respectively, to the Bonds, as a result of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) at the time of delivery of the Bonds. Additionally, Moody’s has assigned an underlying rating of “A2” to the Bonds.

An explanation of the significance of a rating may be obtained from Moody’s, the company furnishing the rating. The rating reflects only the respective view of such company, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “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 appendix to this Official Statement.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 20, 2021, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2021, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Capitalization of AGM

At September 30, 2021:

- The policyholders' surplus of AGM was approximately \$2,910 million.
- The contingency reserve of AGM was approximately \$963 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,124 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (filed by AGL with the SEC on August 6, 2021); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021 (filed by AGL with the SEC on November 5, 2021).

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

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

Miscellaneous Matters

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

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OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

The District.....	Harris County Municipal Utility District No. 55 (the "District"), a political subdivision of the State of Texas, was created in 1974 by the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality ("TCEQ"), and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT – General."
Location	The District is located in southeastern Harris County, approximately two miles west of the intersection of Interstate Highway 45 (the "Gulf Freeway") and FM 528. The District, situated wholly within the exclusive extraterritorial jurisdiction of the City of Houston, Texas ("Houston") and within the boundaries of Clear Creek Independent School District, lies approximately 20 miles south of Houston's central business district. The NASA Johnson Space Center and Baybrook Mall are located approximately four miles and one mile east of the District, respectively. See "THE DISTRICT - Location."
Status of Development within the District.....	The District contains approximately 1,367.64 acres, of which approximately 1,181.83 acres are developable. As of November 1, 2021, approximately 1,163.5 acres (or 98.4% of the developable acreage within the District) have been developed with utility facilities as four residential subdivisions including: Heritage Park, Heritage Park Village, Heritage Park Pointe, and Heritage Park Terrace Subdivisions, and contain 4,268 single-family lots comprised of 4,266 single-family homes completed (of which 4,227 are occupied and 39 are unoccupied and includes one home built on two lots), no homes under construction and no vacant developed lots. Additional development includes two apartment developments totaling 1,096 apartment units (of which 1,055 are occupied), two neighborhood shopping centers, and twelve other retail or service establishments. There are also three churches, two elementary schools and a senior high school, none of which are subject to taxation. Approximately 20 acres of commercial property remains vacant of taxable improvements. The remaining 18 acres of land are proposed for single-family residential development. See "THE DISTRICT - Status of Development."
COVID-19 Pandemic	<p>The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. Federal, state, and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.</p> <p>Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity with the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating contained herein are the latest available, but are generally as of dates and for periods prior to the economic impact of the Pandemic and the measures instituted to slow it. Accordingly, they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition. See "INVESTMENT CONSIDERATIONS – Infectious Disease Outlook (COVID-19)."</p>

THE BONDS

Description.....	The Bonds in the aggregate principal amount of \$17,685,000 mature serially in varying amounts on February 1 of each year from 2023 through 2039, inclusive, and as a Term Bonds which matures February 1, 2041, as set forth on the inside cover page hereof. Interest accrues from February 15, 2022 at the rates per annum set forth on the inside cover page hereof and is payable August 1, 2022 and each February 1 and August 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS - General Description."
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Redemption	The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after February 1, 2029, in whole or from time to time in part, on February 1, 2028, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, the Term Bond maturing February 1, 2041 is also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the City of Houston, Texas; Harris County, Texas; the State of Texas; or any entity other than the District. See "THE BONDS - Source of and Security for Payment."
Payment Record	The District has never defaulted in the timely payment of principal of or interest on its outstanding obligations. See "FINANCIAL STATEMENT – Outstanding Bonds – Table 6."
Authority for Issuance	The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including but not limited to, Chapters 49 and 54 of the Texas Water Code, as amended; an election held within the District; the approving order of the TCEQ; and an order (the "Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds. See "THE BONDS - Authority for Issuance."
Bonds Authorized But Unissued.....	At elections held within the District on August 31, 1974, January 6, 1979, October 24, 1992, November 13, 1993, December 5, 1998, May 12, 2007, and May 4, 2019, the voters within the District approved the issuance of \$96,440,000 in unlimited tax bonds for utility facilities. After the issuance of the Bonds, the District will have \$23,915,000 in aggregate principal amount of new money bonds for utility facilities which remain authorized but unissued. Additionally, at the election held in the District on May 12, 2007, the voters within the District approved \$5,900,000 in unlimited tax bonds for the acquisition and construction of parks and recreational facilities, none of which remains authorized but unissued. Additionally, the District may issue refunding bonds which increase the principal amount of the outstanding bonds based on such election. "FINANCIAL STATEMENT - Outstanding Bonds – Table 6" and "-Unlimited Tax Bonds Authorized but Unissued – Table 5" and "THE BONDS – Issuance of Additional Debt."
Use of Proceeds.....	Proceeds from the sale of the Bonds will be used to finance: (i) City of Houston Southeast Transmission Line replacement; (ii) Blackhawk Regional Wastewater Treatment Plant ("WWTP") Aeration System rehabilitation; (iii) Blackhawk Regional Wastewater Treatment Plant ("WWTP") capital improvements; (iv) City of Houston Southeast Water Purification Plant capital improvements; (v) sanitary sewer manhole rehabilitation; (vi) District waterline rehabilitation; (vii) water plant no. 1 improvements; (viii) elevated storage tank improvements and maintenance; (ix) Blue Mesa Lift Station rehabilitation; (x) force main inspection; (xi) sanitary sewer system inspection; (xii) District GIS System; (xiii) District water meter replacement; (xiv) materials testing for items (ii) through (xi) with 10% contingencies; (xv) contingencies for items (ii) through (xiii); and (xvi) engineering for items (ii) through (xi). In addition, proceeds of the Bonds will be used to pay engineering fees and certain costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Not Qualified Tax-Exempt Obligations.....	The Bonds are not designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations for Financial Institutions."
Municipal Bond Rating and Bond Insurance.....	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Moody's Investors Service, Inc. ("Moody's") are expected to assign insured ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, to the Bonds, as a result of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's has assigned an underlying rating of "A2" to the Bonds.

INCLEMENT WEATHER

General.....	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.
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Impact on District..... The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to Si Environment (the “Operator”), there were no interruptions of water and sewer service as a result of Hurricane Harvey. According to BGE, Inc. (the “Engineer”), the District’s system did not sustain any material damage from Hurricane Harvey. The District did not receive reports that any homes or improvements within the District experienced structural flooding or other damage as a result of Hurricane Harvey.

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

Bond Counsel &
Disclosure Counsel..... Norton Rose Fulbright US LLP, Houston, Texas.

Financial Advisor..... Public Finance Group LLC, Austin, Texas.

Engineer..... BGE, Inc., Houston, Texas.

Paying Agent/Registrar..... BOKF, NA, Dallas, Texas.

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve certain investment considerations and all prospective purchasers are urged to carefully examine the Official Statement, including particularly the section captioned "INVESTMENT CONSIDERATIONS," with respect to investment in the Bonds.

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SELECTED FINANCIAL INFORMATION
(Unaudited)

2021 Certified Assessed Valuation	1,179,333,342 ^(a)
Estimated Assessed Valuation as of November 1, 2021	1,201,762,615 ^(b)
Gross Debt Outstanding (after the issuance of the Bonds)	\$ 27,600,000 ^(c)
Ratio of Gross Debt to 2021 Certified Assessed Valuation	2.34%
Ratio of Gross Debt to Estimated Assessed Valuation as of November 1, 2021	2.30%
2021 Tax Rate	
Debt Service	\$ 0.4000
Maintenance	<u>-</u>
Total 2021 Tax Rate	\$ 0.4000 ^(d)
Bond Fund Balance (as of December 31, 2021)	\$ 8,270,380 ^(e)
Percentage of current tax collections (Tax Year 2020)	99.35% ^(f)
Percentage of total tax collections (Tax Years 1997-2020)	99.83% ^(f)
Average Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Average Requirement") (2022-2041, inclusive)	\$ 1,687,708
Tax Rate Required to pay Average Requirement based upon the 2021 Certified Assessed Valuation at 95% collections	\$0.16 /\$100 AV
Tax Rate Required to pay Average Requirement based upon the Estimated Assessed Valuation as of November 1, 2021 at 95% collections	\$0.15 /\$100 AV
Maximum Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Maximum Requirement") (2023)	\$ 2,714,880
Tax Rate Required to pay Maximum Requirement based upon the 2021 Certified Assessed Valuation at 95% collections	\$0.25 /\$100 AV
Tax Rate Required to pay Maximum Requirement based upon the Estimated Assessed Valuation as of November 1, 2021 at 95% collections	\$0.24 /\$100 AV
Number of active connections as of November 1, 2021	
Single Family - Occupied	4,226
Single Family - Unoccupied	39
Multi-Family (1,055 units occupied out of 1,096 total multi-family units)	19
Commercial	55
Irrigation/Other	<u>49</u>
Total Number of Active Connections	4,369
Estimated Population as of November 1, 2021	15,316 ^(g)

- (a) Assessed valuation of the District as of January 1, 2021, as provided by the Harris County Appraisal District ("HCAD"). Includes \$967,866,029 in certified value, and \$8,150,275 in owner's opinion of value under review and expected to become certified. See "TAXING PROCEDURES."
- (b) Estimated Assessed Valuation as of November 1, 2021, as provided by HCAD, is included solely for purposes of illustration. Estimates of value are not binding on HCAD, and the certified value as of January 1, 2022 may differ significantly from the earlier estimate.
- (c) Includes the Bonds.
- (d) The District levied a 2021 tax rate of \$0.4000.
- (e) Unaudited as of December 31, 2021. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Bond Fund.
- (f) Tax Year 2021 taxes are in the process of collections and do not become delinquent until February 1, 2022. See "TAX DATA – Tax Collections."
- (g) Based upon 3.0 residents per completed and occupied single family home and 2.5 residents per occupied apartment unit. See "THE DISTRICT – Multi-Family Development."

OFFICIAL STATEMENT
relating to
\$17,685,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 55
(A Political Subdivision of the State of Texas Located in Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2022

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 55 (the "District") of its Unlimited Tax Bonds, Series 2022 (the "Bonds").

The Bonds are issued pursuant to an order (the "Bond Order") adopted by the Board of Directors of the District, Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including but not limited to, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and an order by the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission").

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

Included in this Official Statement are descriptions of the Bonds and the Bond Order. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District, c/o Norton Rose Fulbright US LLP, 1301 McKinney, 51st Floor, Houston, Texas 77010, upon payment of duplication costs.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of the Official Statement will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertakings to provide certain information on a continuing basis.

THE BONDS

General Description

The \$17,685,000 Harris County Municipal Utility District No. 55 Unlimited Tax Bonds, Series 2022 (the "Bonds") will mature on February 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof.

Interest on the Bonds will accrue from February 15, 2022, and is payable August 1, 2022, and each February 1 and August 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof. The initial paying agent/registrar for the Bonds shall be BOKF, NA, Dallas, Texas ("Paying Agent/Registrar"). The principal of and interest on the Bonds shall be payable without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debt due in the United States of America. Interest on the Bonds (except for interest paid as part of the Redemption Price) which is payable, and which is paid on or duly provided for on or within 10 days after any interest payment date shall be paid to the person to whom the Bond is registered on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date (the "Record Date"). All payments of interest shall be by check mailed, first-class postage prepaid, to the person entitled hereto at such person's address as it appears on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and such person at the risk and expense of such person.

If the specified date for any payment of principal (or Redemption Price) of or interest on the Bonds is a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the city in which the Place of Payment is located, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY- ONLY SYSTEM."

Redemption

Optional Redemption . . . The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after February 1, 2029, in whole or from time to time in part, on February 1, 2028, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the particular Bonds thereof shall be selected and designated by the District, and if less than all of the Bonds within a maturity are redeemed, the particular Bonds or portions thereof to be redeemed shall be selected by the Paying Agent/Registrar by lot. Optional redemption of Bonds may be conditioned on issuance of refunding bonds or other obligations to pay the Redemption Price.

Mandatory Sinking Fund Redemption . . . In addition to being subject to optional redemption, as provided above, the Bond maturing on February 1, 2041 (collectively, the “Term Bond”) is subject to mandatory sinking fund redemption prior to maturity by lot in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Bond Fund:

\$2,950,000 Term Bond Maturing February 1, 2041	
Mandatory Redemption <u>Date</u>	Principal <u>Amount</u>
2040	\$1,455,000
2041*	1,495,000

* Stated Maturity

The District, at its option, may credit against any mandatory sinking fund redemption requirement Bonds of the maturity then subject to redemption which have been purchased and cancelled by the District or have been redeemed and therefore applied as credit against any mandatory sinking fund redemption requirement.

Notice of Redemption . . . Notice of redemption shall be mailed by the Paying Agent/Registrar in the name and at the expense of the District, not less than 30 days prior to the redemption date, to each Registered Owner of Bonds to be redeemed. All notices shall state:

1. the redemption date,
2. the redemption price,
3. the principal amount and identification (by CUSIP number (if obtained for the Bonds), stated maturity, interest rate, dated date, and, in case of partial redemption within a stated maturity, the respective Bond numbers, and principal amounts) of Bonds to be redeemed,
4. that on the redemption date the redemption price of each of the Bonds to be redeemed will become due and payable and that interest thereon shall cease to accrue from and after said date, and
5. that the Bonds to be redeemed are to be surrendered for payment of the redemption price at the place of payment, and the address of such place of payment. The notice of redemption must state if redemption is conditioned on issuance of refunding bonds or other obligations to pay the redemption price.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof) and upon any partial redemption of any such Bonds the same shall be surrendered in exchange for one or more new Bonds of the same stated maturity in authorized denominations for the unredeemed portion of principal. Bonds (or portions thereof as aforesaid) for whose redemption and payment provision is made in accordance with the Bond Order will cease to bear interest from and after the redemption date. Optional redemption of the Bonds may be conditioned on the issuance of refunding bonds or other obligations to pay the redemption price.

Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds. See “BOOK-ENTRY-ONLY SYSTEM”.

Payment . . . The principal and Redemption Price of the Bonds is payable upon surrender at the designated paying office of the Paying Agent/Registrar (the “Place of Payment”). If the specified date for any payment of principal (or Redemption Price) of or interest on the Bonds shall be a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the city in which the Place of Payment is located, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Interest on any Bond which is payable, and which is paid or duly provided for on or within 10 days after, any Interest Payment Date shall be paid to the Person in whose name such Bond (or one or more Predecessor Bonds evidencing the same debt) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next proceeding such Interest Payment Date. Any interest on any Bond which is payable on, but is not paid or duly provided for on or within 10 days after, any Interest Payment Date (herein referred to as “Defaulted Interest”) shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest shall be paid to the Person in whose name such Bond (or one or more respective Predecessor Bonds) is registered at the close of business on a special record date (the “Special Record Date”) for the payment of such Defaulted Interest. The Regular Record Date for the Bonds for the interest payable on any Interest Payment Date is the 15th day (whether or not a business day) of the calendar month next preceding such Interest Payment Date.

Registration. . . The District shall cause to be kept at the Place of Payment a register (herein referred to as the “*Security Register*”) in which the Paying Agent/Registrar shall provide for the registration of the Bonds and registration of transfers of the Bonds. Upon surrender for transfer of any Bond at the Place of Payment, the District will execute, and the Paying Agent/Registrar will register and deliver, in the name of the designated transferee or transferees, one or more new fully registered Bonds of the same Stated Maturity, of any authorized denominations, and of a like aggregate principal amount.

At the option of the Registered Owner, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the Place of Payment. Whenever any Bonds are so surrendered for exchange, the District will execute, and the Paying Agent/Registrar will register and deliver, the Bonds which the Registered Owner of Bonds making the exchange is entitled to receive.

Every Bond presented or surrendered for transfer or exchange must be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed, by the Registered Owner thereof or his attorney duly authorized in writing.

No service charge may be made to the Registered Owner for any registration, transfer, or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Neither the District nor the Paying Agent/Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds hereunder and ending at the close of business on the day of mailing of a notice of redemption or (2) thereafter to transfer or exchange in whole or in part any Bond so selected for redemption.

Authority for Issuance

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including but not limited to, Chapters 49 and 54 of the Texas Water Code, as amended; an election held within the District; the approving order of the TCEQ; and the Bond Order adopted by the Board of Directors of the District on the date of the sale of the Bonds.

Source of and Security for Payment

For each year while any Bond is Outstanding and the District remains in existence the District must assess a continuing direct annual ad valorem tax upon each \$100 valuation of taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, (1) to pay interest on the Bonds as it becomes due, (2) to provide for the payment of the principal of the Bonds when due or the Redemption Price at any earlier required Redemption Date, and (3) to pay the expenses of assessing and collecting such tax.

The Bonds are obligations solely of the “District and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District.”

Payment Record

The District has previously issued twenty-one series of new money Bonds, including the Bonds, and nine series of refunding bonds, which are listed under “FINANCIAL STATEMENT – Outstanding Bonds – Table 6.” The District has never defaulted on the timely payment of the principal of and interest on its bonds.

Flow of Funds

To provide for the payment of the principal (and Redemption Price) of, interest on, and Paying Agent fees in respect of the Bonds, the District shall maintain a special account (herein the “Bond Fund”) on its books of account as part of its interest and sinking fund. The District shall credit to the Bond Fund (1) on the Issue Date, from the proceeds from the sale of the Bonds, an amount equal to interest accruing on the Bonds from the Dated Date to the Issue Date; (2) all receipts of taxes (and penalty and interest thereon) net of collection costs levied to provide for the payment of principal of and interest on (or fees and expenses of the Paying Agent with respect to) the Bonds; (3) all earnings from the investment of amounts credited to the Bond Fund; and (4) any other funds of the District deposited to the Bond Fund to pay principal (or Redemption Price) of or interest on the Bonds.

While the Bonds are Outstanding, the Bond Fund shall be used solely to pay principal and Redemption Price of and interest on the Bonds and Paying Agent fees and expenses with respect to the Bonds.

Defeasance of Outstanding Bonds

Any Bond shall be deemed to be paid and shall no longer be considered to be a Bond within the meaning of the Order when payment of the principal of and interest on such Bond to the Stated Maturity thereof or (if notice of redemption shall have been duly given, irrevocably provided for, or waived as provided in the Order) to the Redemption Date shall have been made or shall have been provided for by deposit with the Paying Agent for such payment (or with any other bank or trust company which has agreed to hold the same for such purpose) (1) money sufficient to make such payment, (2) Governmental Obligations certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Governmental Obligations together so certified sufficient to make such payment, provided that all the expenses pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Paying Agent (and to such other bank or trust company).

If such deposit is made for some but not all of the Bonds then Outstanding, the District shall designate the Stated Maturities of Bonds for which such deposit is made. If such deposit shall be sufficient to provide for the payment of the principal of and interest on some but not all Outstanding Bonds of a particular Stated Maturity so designated, the Paying Agent shall select the Outstanding Bonds of such Stated Maturity with respect to which such deposit is made by such random method as the Paying Agent/Registrar shall deem fair and appropriate and which may provide for the selection of portions (equal to \$5,000 or any integral multiple thereof) of the principal amount of Bonds of a denomination larger than \$5,000.

“Governmental Obligations” means (1) direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, or (2) obligations authorized under Texas law from time to time for discharge and final payment of political or governmental subdivisions which, at the time of deposit have been assigned ratings in the highest rating category of either Moody’s Investors Service or Standard & Poor’s Rating Services, or any successor to the bond operations of either of such corporations, but in the case of both Clauses (1) and (2) only if such obligations may not be called for redemption prior to maturity.

Paying Agent/Registrar

The District reserves the right in the Bond Order to remove the Paying Agent/Registrar without cause. Every successor Paying Agent/Registrar must at all times be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$10,000,000, subject to supervision or examination by federal or state authority, registered as a transfer agent with the Securities and Exchange Commission. Upon any change in the Paying Agent/Registrar, the District agrees to promptly cause a written notice thereof to be sent to each Registered Owner affected by the change, which notice shall also give the address of the new Paying Agent/Registrar, which shall be the designated Place of Payment.

Record Date

The record date for payment of the interest on Bonds on any regularly scheduled interest payment date is defined as the fifteenth (15th) day of the month (whether or not a business day) next preceding such interest payment date.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ and, in the case of bonds payable from taxes, the District’s voters, as necessary, to provide and maintain improvements and facilities authorized by law, including water, sewer and drainage facilities, and park and recreational facilities, roads, and fire-fighting facilities. See “THE DISTRICT – General.” The District’s voters have authorized the issuance of a total of \$96,440,000 in bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, of which \$23,915,000 remains authorized but unissued after the issuance of the Bonds. See “Future Debt.”

Voters may authorize the issuance of additional bonds or other contractual obligations secured by ad valorem taxes, and the District may issue refunding bonds to refund its outstanding unlimited tax bonds. The District also has the right to enter into certain other obligations including the issuance of revenue bonds and notes, bond anticipation notes and tax anticipation notes without voter approval. Neither Texas law nor the Bond Order imposes a limitation on the amount of additional debt which may be issued by the District. Any additional debt issued by the District may dilute the security of the Bonds. In the opinion of the District’s engineer, voter-authorized bonds will be required for future maintenance of the District’s infrastructure. See “INVESTMENT CONSIDERATIONS – Future Debt.”

Lost, Stolen, Mutilated or Destroyed Bonds

If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the District and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the District and the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the District or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the District shall execute and upon its request the Paying Agent/Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the District in its discretion may pay such Bond instead of issuing a new Bond.

Upon the issuance of any new Bond under the Order, the District or the Paying Agent/Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

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 issue 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 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.

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations, or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

Remedies In Event of Default

The Bond Order provides that if the District shall default in the payment of the principal of and interest on the Bonds when due or in the observance or performance of any of the covenants, conditions, or obligations set forth in the Order, any Bondholder shall, in addition to all other rights and remedies of such owner of Bonds, be entitled to a writ on mandamus issued by a court of proper jurisdiction compelling and requiring the Board and the other officers of the District to make such payment or to observe and perform such covenant, obligation, or condition.

The Bond Order provides no additional remedies to a Bond owner. Specifically, the Bond Order does not provide for an appointment of a trustee to protect and enforce the interests of the Bond owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus is a remedy which may have to be enforced from year to year by the Bond owners.

No statutes waive the District's sovereign immunity from suit for money damages. Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. If such suit were allowed and a judgment obtained, the Bond owners could not foreclose on property within the District or sell property within the District in order to pay principal of and interest on the Bonds or otherwise satisfy such judgment. In addition, the enforceability of the rights and remedies of the Bond owners may be limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions.

Specific Tax Covenants

In the Bond Order the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith and the manner in which the proceeds of the Bonds are to be invested. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that failure to comply with such covenant will not adversely affect the excludability of interest on any Bond from the gross income of the owner thereof for federal income tax purposes, and thereafter such covenant will no longer be binding upon the District to the extent described in such opinion.

Additional Covenants

The District has additionally covenanted in the Bond Order that it will keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year, such audits to be in accordance with applicable law, rules and regulations and open to inspection in the office of the District.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the "City"), the District must conform to a City ordinance consenting to the creation of the District. Under prior Texas law, a municipality could annex and dissolve a municipality utility district located within its extraterritorial jurisdiction without the consent of the District or its residents. Under legislation effective December 1, 2017, the District may be annexed and dissolved by the City only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Upon annexation, the City would assume the District's assets and obligations, including the Bonds, and dissolve the District. The District has no control or knowledge of the annexation plans of the City; therefore, no prediction can be made regarding the likelihood or timing of any annexation or the ability of the City to make debt service payments should annexation occur. See "THE BONDS – Source of and Security of Payment."

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water system with the water system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will consolidate its water system with that of any other district.

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: 1) upon satisfying certain conditions, annex additional territory; and 2) exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. The District would be required to obtain the consent of the City before adding any land in the City's extraterritorial jurisdiction or corporate limits. No representation is made concerning the likelihood that the District would effect any further change in its boundaries.

No Arbitrage

The District certifies that based upon all facts or estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the

Bonds, to be “arbitrage bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of the proceeds of the Bonds, and take such other and further actions and follow such procedures as may be required so that the Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

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 quality of the Bonds as an investment, nor does the Attorney General of Texas pass upon the adequacy or accuracy of the information contained in this Official Statement.

Amendments to Bond Order

The District may, without the consent of or notice to any Bondholder, from time to time and at any time amend the Bond Order in any manner not detrimental to the interests of the Holders of the Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission herein or therein. In addition, the District may, with the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order except that, notwithstanding the foregoing, without the consent of the Holders of all of the affected Outstanding Bonds, no such amendment, addition, or rescission shall (1) change the Stated Maturity of the Bonds or any installment of interest thereon, reduce the principal amount thereof, the Redemption Price therefor, or the rate of interest thereon, change the place or places at, or the coin or currency in, which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, (3) modify the provisions of the proviso to the definition of the term “Outstanding”, or (4) modify any of the provisions of the section in the Bond Order related to amendments thereto, except to increase the percentage provided hereby or to provide that certain other provisions of the Bond Order cannot be modified or waived.

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 the 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 (i) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (ii) 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 (iii) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual 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 a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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).

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

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

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

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 neither the District nor the Financial Advisor take any responsibility for the accuracy thereof.

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USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to finance: (i) City of Houston Southeast Transmission Line replacement; (ii) Blackhawk Regional Wastewater Treatment Plant ("WWTP") Aeration System rehabilitation; (iii) Blackhawk Regional Wastewater Treatment Plant ("WWTP") capital improvements; (iv) City of Houston Southeast Water Purification Plant capital improvements; (v) sanitary sewer manhole rehabilitation; (vi) District waterline rehabilitation; (vii) water plant no. 1 improvements; (viii) elevated storage tank improvements and maintenance; (ix) Blue Mesa Lift Station rehabilitation; (x) force main inspection; (xi) sanitary sewer system inspection; (xii) District GIS System; (xiii) District water meter replacement; (xiv) materials testing for items (ii) through (xi) with 10% contingencies; (xv) contingencies for items (ii) through (xiii); and (xvi) engineering for items (ii) through (xi). In addition, proceeds of the Bonds will be used to pay engineering fees and certain costs associated with the issuance of the Bonds.

The estimated use and distribution of Bond proceeds are set forth below. Of the proceeds to be received from the sale of the Bonds, \$16,361,083 is required for construction costs, and \$1,323,917 is required for non-construction costs.

Construction Costs

A. District Items

1. City of Houston Southeast Transmission Line Replacement	\$ 4,293,470
2. Blackhawk Regional WWTP Aeration System Rehabilitation	1,139,526
3. Blackhawk Regional WWTP Capital Improvements	461,184
4. City of Houston Southeast Water Purification Plant Capital Improvements	1,049,625
5. Sanitary Sewer Manhole Rehabilitation	500,000
6. District Waterline Rehabilitation	4,479,000
7. Water Plant No. 1 Improvements	228,000
8. Elevated Storage Tank Improvements/Maintenance	104,000
9. Blue Mesa Lift Station Rehabilitation	515,000
10. Forcemain Inspection	372,750
11. Sanitary Sewer System Inspection	271,050
12. District GIS System	100,000
13. District Water Meter Replacement	200,000
14. Materials Testing (2% of items 2 through 11 with 10% contingencies)	200,643
15. Contingencies (10% of items 2 through 13)	942,013
16. Engineering (17% of items 2 through 11)	1,504,822
Total District Items	\$ 16,361,083

Total Construction Costs \$ 16,361,083

Non-Construction Costs

A. Legal Fees (2%) ^(a)	\$ 353,700
B. Fiscal Agent Fees (2.5%)	442,125
C. Bond Discount (1.7275%)	305,501
D. Bond Issuance Expenses	70,679
E. Bond Application Report Costs	50,000
F. Attorney General Fee (0.10%)	9,500
G. TCEQ Bond Issuance Fee (0.25%)	44,213
H. Contingency ^(b)	48,199
Total Non-Construction Costs	\$ 1,323,917

TOTAL BOND ISSUE REQUIREMENT \$ 17,685,000

- (a) Pursuant to the contract provided, the legal fees are to be equal to 2% of the principal amount of bonds issued, up to \$5,000,000. For bonds issued in excess of \$5,000,000 fees will be established by negotiation.
- (b) Contingency represents the difference in the estimated and actual amount of the Bond Discount. The TCEQ, in its approval of the Bonds, directed any surplus Bond proceeds to be shown as a contingency line item and be subject to the TCEQ rules on the use of surplus Bond funds.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any other political subdivision, will be secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District makes no representation that over the life of the Bonds continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. See "Registered Owners' Remedies" below.

Infectious Disease Outbreak (COVID-19)

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise of COVID-19 infections in the State and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel, and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally within the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment except in counties with an "area with high hospitalizations" where a county judge may impose COVID-19 related mitigation strategies. Harris County is not currently an "area with high hospitalizations," but such status could change at any time. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders by the Governor is accessible on the website of the Governor at <https://www.gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference in this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. To date, the District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

The financial and operating data contained herein are the latest available but as of dates and for periods largely prior to the economic impact of the COVID-19 pandemic (the "Pandemic"). Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition or its rating. See "MUNICIPAL BOND RATING." For more information regarding the District's current fund balances, see "FINANCIAL STATEMENT – Cash and Investment Balances – Table 7" and "– Current Investments – Table 8."

Factors Affecting Taxable Values and Tax Payments

Economic Factors, Interest Rates, Credit Availability and Residential Foreclosures: A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, foreclosure levels, construction costs, energy availability and the economic prosperity and demographic characteristics of the urban centers toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values.

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on the construction activity, particularly short-term interest rates at which the Developer and homebuilders are able to obtain financing for development and construction costs. As a result of increasing foreclosure activity, potential adverse impact on assessed valuations and a general tightening of credit that has resulted, lenders have increased lending requirements for both single-family mortgage lending and real estate development lending. Additionally, lenders have been increasingly selective in making real estate development loans in the Houston area because of the negative impact to their real estate portfolios. Interest rate levels and the general availability of credit may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the District and the ability of potential homeowners to purchase homes. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies.

Potential Effects of Oil Price Declines on the Houston Area: The recent declines in oil prices in the United States of America and globally, which at times have led to the lowest prices in three decades, may lead to adverse conditions in the oil and gas industry, including, but not limited to, reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could

result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Competition: The demand for single-family homes in the District could be affected by competition from other residential developments, including other residential developments located in other utility districts located near the District. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Houston that are for sale. Such homes could represent additional competition for homes proposed to be sold within the District.

The competitive position of the Developer in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Developer under No Obligation to the District: There is no commitment from, or obligation of, any developer to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon developer and the other principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such financial conditions may have on their ability to pay taxes. See "THE DEVELOPER" and "TAX DATA – Principal Taxpayers – Table 12."

Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2021 Certified Taxable Assessed Valuation of the District is \$976,016,304. After issuance of the Bonds, the Maximum Requirement will be \$2,714,880 (2023) and the Average Requirement will be \$1,687,708 (2022 through 2041, inclusive). Assuming (1) no increase or decrease from the 2021 Certified Taxable Assessed Valuation; (2) the issuance of no additional debt; and (3) no other funds available for the payment of debt service, tax rates of \$0.25 and \$0.16 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Projected Average Requirement, respectively. The District's Estimated Taxable Assessed Valuation as of November 1, 2021 is \$1,201,762,615. Based upon the assumptions above, tax rates of \$0.24 and \$0.15 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. See "DEBT SERVICE REQUIREMENTS – TABLE 3" and "TAX DATA - Tax Adequacy for Debt Service."

Dependence on Energy Industry

The economy of the Houston metropolitan area, which has sometimes been referred to as the energy capital of the world, is, in part, dependent upon the oil and gas and petrochemical industries. During the height of the COVID-19 pandemic in 2020, worldwide consumption of energy decreased dramatically and led to the lowest oil prices in three decades. This led to layoffs of workers, business failures and reduced capital and operating expenditures by energy companies. While there has been some rebound, Houston area jobs in the energy industry have not fully recovered. In 2021, the United States rejoined the 2015 Paris Climate Accords, under which many countries have agreed to move away from fossil fuels to alleviate climate change. Although major energy companies expect the fossil fuels will be vital to the global economy for many years to come, they have recognized the need to direct more investment toward various clean energy projects. The pace and success of these efforts could significantly affect the Houston economy in the future.

Future and Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

State Legislative Issues

The State Legislature, operating under the biennial system, convenes its regular session at noon on the second Tuesday in January of odd-numbered years. The maximum duration of a regular session is 140 days. The 87th regular legislative session convened on January 12, 2021 and concluded on May 31, 2021. Under the Texas Constitution, the Governor has the authority to call additional special sessions of the State Legislature, at any time, each for a duration of no more than thirty days, to address only those subjects designated by the Governor. Since the conclusion of the 87th regular legislative session, to date Texas Governor Greg Abbott has called three such special sessions. While in session, the State Legislature may consider bills which could have a direct impact on the District. The District makes no representations or predictions with respect to whether the Governor will exercise his authority under the Texas Constitution to call additional special sessions of the State Legislature or concerning the substance or effect of any legislation that may be proposed and ultimately passed while the State Legislature is in session.

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. Additionally, the District's tax lien is on a parity with the liens of all other State and local taxing authorities on the property against which the taxes are levied. Registered Owners are entitled under Texas law to a writ of mandamus to compel the District to perform its obligations. Such remedy would have to be exercised upon each separate default and may prove costly, time consuming and difficult to enforce.

Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, Registered Owners to enforce such remedies. The rights and remedies of the Registered Owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

Tax Payment Installments After Disaster

The Texas 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% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property 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.

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

In addition, under the Texas Tax Code, solely at the District's discretion, quarterly payments of ad valorem taxes on all taxable personal property of a business that lost money during a declared disaster or emergency regardless of whether the property was directly damaged as a result of the disaster or emergency are allowed.

Recent Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area, including the District, has experienced four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent event was Tropical Storm Imelda, which made landfall along the Texas Gulf Coast on September 17, 2019, and brought excessive levels of rainfall during the successive four days. According to the Operator there were no interruptions of water and sewer service as a result of Tropical Storm Imelda. According to the Engineer, the District's system did not sustain any material damage from Tropical Storm Imelda. To the knowledge of the District, no homes within the District experienced structural flooding or other damage as a result of Tropical Storm Imelda.

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

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Inclement Weather

The District is located approximately 30 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation- Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Winter Storm Uri

From February 12 – 19, 2021, the State of Texas experienced a severe winter storm (“Winter Storm Uri”) which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas in the State, including the District. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. The District did not sustain material damage to its infrastructure during Winter Storm Uri, but the District cannot predict the impact of future winter weather events.

Bond Insurance Risks

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The purchase of bond insurance will be at the option and expense of the Initial Purchaser. If a bond insurance policy is purchased by the Initial Purchaser, provided below are risk factors relating to bond insurance.

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

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

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received by the Paying Agent pursuant to the Bond Order. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its ability to pay claims which is predicated upon a number of factors that 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.

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 Paying Agent may be limited by applicable bankruptcy law or other similar laws related to insolvency. No independent investigation into the ability of the Bond Insurer to pay claims has been made and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given.

Registered Owners' Remedies

Bond owners are entitled under Texas Law to seek a writ of mandamus to compel the District to perform its obligations under the Bond Order. Such remedy would have to be exercised upon each separate default and could prove costly, time-consuming, and difficult to enforce. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be taken at the initiative of, and be financed by, Bond owners. The Bond Order does not provide for acceleration of maturity of the Bonds upon any default. Sovereign immunity, public property, bankruptcy, reorganization, and other similar laws affecting the enforcement of creditor's rights generally may also limit the rights and remedies of the Bond owners and the enforceability of the Bonds. See "THE BONDS – Remedies in Event of Default."

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Bondholders may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a municipal utility district such as the District to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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

A district may not be forced into bankruptcy involuntarily.

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

There has been little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by State property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorney's fees, costs of abstract and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

Marketability

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

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. See "THE BONDS –Tax Covenants." 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 MATTERS."

Future Debt

The District has reserved in the Bond Order the right to issue the remaining \$23,915,000 authorized but unissued unlimited tax bonds and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. All of the remaining \$23,915,000 unlimited tax bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the Attorney General of the State of Texas and the TCEQ. In the opinion of the District's engineer, the remaining authorization should be sufficient to complete build out of the District. See "THE SYSTEM."

Environmental Regulation

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

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

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

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

The HGB Area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained

subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ’s “redesignation substitute” for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

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

The HGB Area is currently designated as a “moderate” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “marginal” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

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

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

The District’s stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the “Current Permit”) issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District’s inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

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

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

In June and July of 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. In light of this order, the EPA and USACE announced that they have halted implementation of the NWPR and are interpreting “waters of the United States” consistent with the pre-2015 regulatory regime until further notice while continuing to move forward with the rulemakings announced in June of 2021. Due to existing and possible future litigation, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Atlas-14

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

Approval of the Bonds

The TCEQ approved the issuance of the Bonds by an order signed on October 15, 2021 (the “TCEQ Order”). The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General does not pass upon or guarantee the quality of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

Forward Looking Statements

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

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THE DISTRICT

General

The District was created by the TCEQ, in 1974, and operates as a municipal utility district pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes of the State of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the TCEQ.

Management of the District

Board of Directors: The District is governed by a board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors' terms are four years with elections held within the District on the second Saturday in May in each even numbered year. All of the directors listed below own property within the District.

Name	Title	Term Expires	Length of Service
Robert Squires	President	2022	37 Years
Sam Longoria	Vice President	2022	27 Years
David Van Riper	Secretary	2024	1 Year
Richard Klenk	Treasurer	2024	29 Years
Robert Tietz	Assistant Secretary	2022	1 Year

Consultants

Tax Assessor/Collector: The Harris County Appraisal District appraises land and improvements in the District. The Board of Directors of the District appoints the Tax Assessor/Collector. Equi-Tax, Inc. ("Equi-Tax") currently serves the District in this capacity under contract.

Bookkeeper: ETI Bookkeeping Services acts as bookkeeper for the District and currently performs similar services for approximately 21 other special districts.

Operator: The District contracts with Si Environmental, LLC ("Si") to operate and maintain the District's system. See "THE SYSTEM – Water, Sanitary Sewer and Drainage System."

Engineer: The District's consulting engineer is BGE, Inc. (the "Engineer"). Such firm serves as consulting engineer to over 100 other special districts in the Houston metropolitan area.

Bond Counsel and Disclosure Counsel: The District has engaged Norton Rose Fulbright US LLP, Houston, Texas, to serve as Bond Counsel and Disclosure Counsel in connection with the issuance of the Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds. Such firm also acts as General Counsel to the District on matters not related to the issuance of bonds and is compensated based on time charges actually incurred.

Financial Advisor: Public Finance Group LLC serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based upon the percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Location

The District originally contained 650.9 acres and presently encompasses approximately 1,367.64 acres due to annexation of land in 1974 (20.4 acres), 1978 (24 acres), 1982 (147.7 acres), 1985 (19.5 acres), 1986 (35.4 acres), , 1991 (59 acres), 1993 (4.8 acres), 1994 (103.7 acres), 1995 (19.6 acres), 1998 (74 acres), 1999 (140.6 acres), 2000 (2.7 acres), 2005 (4.8 acres), 2008 (18.3 acres), 2009 (7.3 acres), 2011 (2.7 acres and 8.97 acres), and 2013 (3.75 acres), 2014 (19.53 acres). The District which is located within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of the Clear Creek Independent School District, is located approximately 20 miles southeast of the central business district of Houston in the southeastern portion of Harris County, Texas. The National Aeronautics and Space Administration ("NASA") Johnson Space Center and Baybrook Mall are located approximately four miles and one mile east of the District, respectively. The District is bounded on the south by FM 528, on the north by FM 2351, and is bisected east to west by Bay Area Boulevard. Principal access to the District is provided by Interstate Highway 45 (the "Gulf Freeway") and Bay Area Boulevard.

Status of Development

Development of the District began in 1974 and approximately 1,182 acres of the approximate 1,367 acres located within the District have been developed with water, sanitary sewer and drainage facilities.

The chart below reflects the status of single-family development as of November 1, 2021:

Section	Acreage	Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
A. Single Family Developed with Utility Facilities					
Heritage Park Section 1	45.2640	159	159	-	-
Heritage Park Section 3	25.1021	104	103 ^(a)	-	-
Heritage Park Section 4	69.0022	274	274	-	-
Heritage Park Section 5	50.4010	187	187	-	-
Heritage Park Section 6	77.9816	368	368	-	-
Heritage Park Section 7	88.7832	355	355	-	-
Heritage Park Section 8	27.1770	121	121	-	-
Heritage Park Section 9	38.0217	183	183	-	-
Heritage Park Section 10	63.4373	262	262	-	-
Heritage Park Section 11	25.6143	108	108	-	-
Heritage Park Section 12	42.9588	205	205	-	-
Heritage Park Section 13	35.7455	164	164	-	-
Heritage Park Section 14	28.0570	127	127	-	-
Heritage Park Section 15	50.1689	218	218	-	-
Heritage Park Section 16	12.6649	51	51	-	-
Heritage Park Section 17	21.2149	96	96	-	-
Heritage Park Section 18	37.9510	169	169	-	-
Heritage Park Section 19	4.7727	20	20	-	-
Heritage Park Section 20	38.3380	177	177	-	-
Heritage Park Section 21	32.5318	153	153	-	-
Heritage Park Section 22	6.5030	32	32	-	-
Heritage Park Section 23	19.3200	89	89	-	-
Heritage Park Section 24	23.2900	101	101	-	-
Heritage Park Section 25	30.1200	122	122	-	-
Heritage Park Section 26	35.5000	108	108	-	-
Heritage Park Section 27	25.4200	105	105	-	-
Heritage Park Section 28	31.9000	113	113	-	-
Heritage Park Section 29	22.3000	97	97	-	-
Subtotal - Single Family Developed with Utilities	1,009.5409	4,268	4,267	-	-
B. Non-Residential / Commercial / Other Acreage					
Proposed Single Family	18.3300				
Commercial	118.9623				
R.O.W.	15.4230				
Multi-Family	34.9940				
Parks and Opens Spaces	9.0191				
Easements	83.2702				
District Plant Sites	4.1019				
Schools	59.6000				
Churches	14.4000				
Subtotal - Other	358.1005				
Total District Acreage	1,367.6414				

(a) Includes one house built on two lots.

Residential Development

Heritage Park has been platted as twenty-nine sections including Heritage Park Sections 1 and 3 through 29, which are predominantly single-family and Heritage Park, Section 2 which consists of multi-family and commercial reserves. Twenty-nine sections have been developed with water, sanitary sewer, drainage facilities and street paving. As of November 1, 2021, the District contains approximately 4,268 developed lots comprised of 4,267 single-family homes completed (of which 4,227 are occupied, 39 are unoccupied and includes one home built on two lots), no homes under construction and no vacant developed lots. Eighteen developable acres have not yet been developed.

Multi-Family Development

Portions of the District adjacent to Bay Area Boulevard have been developed for multi-family usage. Multi-family improvements include Baybrook Village and Crystal Bay Apartments. Baybrook Village is a 776-unit project with apartment buildings located on each side of Bay Area Boulevard. The project office currently reports an occupancy rate of approximately 98%. Crystal Bay Apartments contain 320 rental units, and its leasing office reports an occupancy rate of approximately 92%.

Commercial Development

Commercial development within the District is mainly in the areas adjacent to Bay Area Boulevard and FM 528. These improvements include neighborhood shopping centers, convenience stores, and free-standing businesses which serve the residential development in the District and the surrounding area. Baywood Plaza is a neighborhood shopping center located at the western portion of the intersection of Bay Area Boulevard and FM 528. This center includes a Texas School of Business, approximately twelve retail and service establishments, a free-standing fast food restaurant, and a gas station.

A major shopping center is located on the eastern portion of the intersection of Bay Area Boulevard and FM 528. In addition to Spec's Wines, Spirits and Finer Foods, it contains approximately ten retail and service establishments including a hair salon, restaurant, doctor's office, a car wash and dry cleaners.

Other businesses in the District include an automobile body repair shop, a tire store, two convenience stores, Barcenas Restaurant, Store Smart Storage, numerous small retail stores and a child care center. In addition to the commercial development described above, three churches, two elementary schools and a senior high school (none of which are subject to taxation) are presently located in the District.

Future Development

With the exception of 18 acres, all of the developable property within the District has been developed with utility facilities including street paving. Therefore, the only remaining development expected to occur within the District consists of utilities, street paving and homes to be constructed on the undeveloped 18 acres and the approximate 20 acres of vacant commercial reserves. The District cannot predict with certainty if any homes or commercial improvements will be constructed in the District.

THE SYSTEM

Water, Sanitary Sewer and Drainage System

In addition to the Bonds, the District has previously issued twenty series of new money bonds and eight series of refunding bonds (including the Bonds). Proceeds from sales of such previously issued new money bonds, together with certain nonreimbursable developer contributions, were used to provide water production facilities, wastewater treatment capacity, and underground water distribution, sewer collection, and drainage facilities (the "System") to serve approximately 1,367 acres of land in the District. The District's System has been designed in conformity with the current requirements of the City of Houston, Harris County, Texas, Harris County Flood Control District, and the TCEQ.

Source of Water Supply: The District currently owns and operates two water plants. Water Plant No. 1 contains a 1,345 gallon-per-minute ("gpm") well, four booster pumps with total capacity of 6,000 gpm, a 210,000 gallon ground storage tank, a 840,000 gallon ground storage tank, a 20,000 gallon hydropneumatic tank, and emergency generator. Water Plant No. 2 includes a 1,545 gpm well and auxiliary power. The District has also constructed a 500,000 gallon elevated storage facility. According to the Engineer, the present ground water supply facilities together with the District's existing surface water capacity, described below, are sufficient to serve the District at ultimate development under present land use projections.

The Harris/Galveston Subsidence District (the "Subsidence District") requires that the District restrict its groundwater withdrawal to 20% of its total water usage. The District has converted its water supply system from a groundwater only system to a combination surface water and groundwater system and has purchased 2,975,000 gallons per day ("gpd") in the Southeast Regional Water Purification Plant (the "Southeast Regional Water Plant") through the City of Houston. With proceeds from previous bonds, the District has funded its pro-rata share of the expansion of the Southeast Water Plant from 80 MGD to 120 MGD. This increased the District's surface water capacity by 1.4875 MGD. Of this amount, the District has sold 500,000 gpd to the City of Friendswood and 500,000 gpd to Clear Lake City Water Authority. After the expansion and after the sale of capacity to the City of Friendswood and Clear Lake City Water Authority, the District has capacity of 3,462,500 gpd. The surface water capacity assures that the District has adequate water supply even during high demand periods. The District has chosen to supply its entire water demand with surface water at a conservative design average daily flow of 455 gpd/ESFC. Peaking demands from the District will be supplied by the District's two ground water wells. The Southeast Regional Water Plant is located adjacent to Ellington Field approximately four miles from the District. The source of water for the Southeast Regional Water Plant is raw water from the Trinity River transmitted through the Coastal Water Authority's conveyance facilities to the Southeast Regional Water Plant.

In addition to its capital costs, the District shares in the operating and maintenance expenses of the Southeast Regional Water Plant on a pro rata basis (based on the amount of water conveyed to the District) with the City of Houston and other parties with contractual shares in the Southeast Regional Water Plant. The City of Houston is planning a major capital project entailing the replacement of a large diameter water distribution line. Per the current

cost sharing agreement, the District's share of the total \$117.8 million estimated construction cost will be approximately \$9.1 million.

Wastewater Treatment

Permanent wastewater treatment for the District is provided by the Blackhawk Regional Wastewater Treatment Plant (the "Blackhawk Plant"). The Blackhawk Plant contains a total of 9.25 million gpd capacity, and the District has purchased 1.965 million gpd capacity allocation in the facility. The capacity is adequate to serve development within the District. The Engineer has stated that, under present land use plans, the District's allocation in the Blackhawk Plant is sufficient to accommodate the wastewater treatment requirements for the District at full build-out.

100-Year Flood Plain

According to the Engineer, approximately 26 acres located in the District are within the 100-year flood plain as illustrated by the Flood Insurance Rate Maps, 48201C1065L and 48201C1070L, June 18, 2007 Revision, published by the Federal Emergency Management Agency. Proceeds from sale of the Outstanding Bonds have been used to construct certain channel improvements and a detention facility which fulfills the District's current drainage requirements.

Water and Wastewater Operations

Rate and Fee Schedule – Table 1

The Board of Directors of the District establishes rates and fees for water and sewer service, subject to change from time to time. The rates are subject to change from time to time. The following rates were approved on November 17, 2015.

<u>Monthly Service Charge</u>	
All Connections	\$23.60 per connection
Apartment Unit	\$23.60 per apartment unit
<u>Monthly Water Service Rates</u>	
All single family home connections:	
0-6,000 gallons	\$1.25/1,000 gallons
6,001-10,000 gallons	\$1.40/1,000 gallons
10,001-20,000 gallons	\$1.80/1,000 gallons
Over 20,000 gallons	\$3.10/1,000 gallons
<u>Monthly Sewer Service Rates</u>	
All connections per 1,000 gallons of water used	
0-6,000 gallons	\$2.30/1,000 gallons
Over 6,000 gallons	\$2.85/1,000 gallons
<u>Monthly Fire Protection Rate</u>	
Per equivalent connection	\$8.05
<u>Monthly Emergency Medical Service Rate</u>	
Per home	\$3.40
<u>Monthly Law Enforcement Service Rate</u>	
Per home	\$4.20

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Operating Revenues and Expenses Statement - Table 2

The following statement sets forth in condensed form the historical operations of the District. Operating revenues are not pledged to payment of the Bonds, and the summary is included for general information only. Such summary has been prepared from information obtained from the District's financial statements and records. Reference is made to such statements for further and more complete information. See also "Appendix A – Audited Financial Statements."

	Fiscal Year Ended				
	12/31/2021 ^(a)	12/31/2020 ^(b)	12/31/2019 ^(b)	12/31/2018 ^(b)	12/31/2017 ^(b)
REVENUES					
Service Charge	\$ 1,761,214	\$ 1,729,011	\$ 1,537,578	\$ 1,532,488	\$ 1,399,007
Water Service	558,833	603,572	514,977	601,060	510,785
Wastewater Service	1,000,601	1,067,582	927,208	943,288	944,841
Fire Fighting and Ambulance Service	913,690	892,385	846,471	774,628	796,116
Law Enforcement Service	301,610	296,209	274,480	272,606	275,356
Sales and Use Tax Revenue	143,843	133,081	120,680	117,957	100,794
Tap Connection and Inspection Fees	465,719	46,350	61,108	250	128,073
Penalty and Interest	43,187	-	-	62,174	58,752
Investment Revenues	1,600	11,294	31,493	15,158	3,517
Miscellaneous Revenues	14,311	81,999	143,995	183,240	94,858
TOTAL REVENUES	\$ 5,204,608	\$ 4,861,483	\$ 4,457,990	\$ 4,502,849	\$ 4,312,099
EXPENDITURES					
Audit Fees	\$ 17,750	\$ 18,050	\$ 19,300	\$ 17,800	\$ 17,800
Engineering Fees	65,758	52,534	63,038	54,759	68,188
Legal Fees	79,295	65,112	71,331	69,234	67,046
Other Consulting Fees	1,980	1,980	1,920	1,750	1,750
Purchased Water Service	489,908	999,612	523,230	291,695	394,639
Purchased Wastewater Service	570,088	593,607	626,104	635,241	780,954
Bookkeeping	21,380	21,848	20,790	19,769	18,544
Operations and Billing	398,594	347,738	348,818	343,406	332,919
Utilities	74,898	70,644	78,090	89,637	76,807
Repairs and Maintenance	607,941	603,021	1,262,747	637,915	433,263
Administrative Expenditures	136,826	134,083	153,448	150,285	142,367
Capital Outlay	-	1,568,742	-	-	-
Tap Connections	89,333	3,035	6,595	13,400	38,730
Law Enforcement	297,468	287,950	277,361	275,320	269,272
Fire Fighting	647,600	625,384	605,640	588,000	560,000
Emergency Medical Services	347,099	275,453	297,327	219,325	200,518
Other Expenditures	19,337	58,692	73,640	59,403	50,019
TOTAL EXPENDITURES	\$ 3,865,255	\$ 5,727,485	\$ 4,429,379	\$ 3,466,939	\$ 3,452,816
NET REVENUES (DEFICIT)	\$ 1,339,353	\$ (866,002)	\$ 28,611	\$ 1,035,910	\$ 859,283
Beginning Fund Balance	\$ 2,413,332	\$ 3,279,334	\$ 3,250,723	\$ 2,214,813	\$ 1,355,530
Plus / (Less): Fund Transfer	-	-	-	-	-
Ending Fund Balance	\$ 3,752,685	\$ 2,413,332	\$ 3,279,334	\$ 3,250,723	\$ 2,214,813

(a) Unaudited. As of December 31, 2021. Represents twelve (12) months of the District's 2021 fiscal year.

(b) Audited.

DEBT SERVICE REQUIREMENTS - TABLE 3

Harris County Municipal Utility District No. 55

\$17,685,000

Unlimited Tax Bonds, Series 2022

Dated Date: February 15, 2022

First Interest Payment Due: August 1, 2022

Year Ending 31-Dec	Outstanding Bonds				The Bonds				Total	
	Principal Due (02/01)	Interest		Total	Principal (Due 2/01)	Interest		Total	Principal and Interest	Debt Service Requirements
		Due (02/01)	Due (08/01)			Due 2/01)	(Due 8/01)			
2022	\$ 2,080,000	\$ 145,190	\$ 145,190	\$ 2,370,381	\$ -	\$ -	\$ 186,380	\$ 186,380	\$ 186,380	\$ 2,556,761
2023	2,070,000	117,879	117,879	2,305,757	5,000	202,099	202,024	404,123	409,123	2,714,880
2024	1,950,000	87,161	87,161	2,124,322	5,000	202,024	201,949	403,973	408,973	2,533,295
2025	2,025,000	53,134	53,134	2,131,267	5,000	201,949	201,874	403,823	408,823	2,540,090
2026	870,000	27,100	27,100	924,200	5,000	201,874	201,799	403,673	408,673	1,332,873
2027	920,000	18,400	-	938,400	5,000	201,799	201,724	403,523	408,523	1,346,923
2028	-	-	-	-	1,050,000	201,724	185,974	387,698	1,437,698	1,437,698
2029	-	-	-	-	1,080,000	185,974	175,174	361,148	1,441,148	1,441,148
2030	-	-	-	-	1,110,000	175,174	164,074	339,248	1,449,248	1,449,248
2031	-	-	-	-	1,140,000	164,074	152,674	316,748	1,456,748	1,456,748
2032	-	-	-	-	1,170,000	152,674	140,974	293,648	1,463,648	1,463,648
2033	-	-	-	-	1,205,000	140,974	128,924	269,898	1,474,898	1,474,898
2034	-	-	-	-	1,240,000	128,924	115,904	244,828	1,484,828	1,484,828
2035	-	-	-	-	1,270,000	115,904	101,934	217,838	1,487,838	1,487,838
2036	-	-	-	-	1,305,000	101,934	86,926	188,860	1,493,860	1,493,860
2037	-	-	-	-	1,345,000	86,926	71,123	158,049	1,503,049	1,503,049
2038	-	-	-	-	1,380,000	71,123	54,563	125,685	1,505,685	1,505,685
2039	-	-	-	-	1,415,000	54,563	36,875	91,438	1,506,438	1,506,438
2040	-	-	-	-	1,455,000	36,875	18,688	55,563	1,510,563	1,510,563
2041	-	-	-	-	1,495,000	18,688	-	18,688	1,513,688	1,513,688
	<u>\$ 9,915,000</u>	<u>\$ 448,864</u>	<u>\$ 430,464</u>	<u>\$ 10,794,327</u>	<u>\$ 17,685,000</u>	<u>\$ 2,645,271</u>	<u>\$ 2,629,552</u>	<u>\$ 5,274,824</u>	<u>\$ 22,959,824</u>	<u>\$ 33,754,151</u>

**FINANCIAL STATEMENT
(Unaudited)**

Assessed Value - Table 4

2021 Certified Assessed Valuation	1,179,333,342	(a)
Estimated Assessed Valuation as of November 1, 2021	1,201,762,615	(b)
Gross Debt Outstanding (after the issuance of the Bonds)	\$ 27,600,000	(c)
Ratio of Gross Debt to 2021 Certified Assessed Valuation	2.34%	
Ratio of Gross Debt to Estimated Assessed Valuation as of November 1, 2021	2.30%	
2021 Tax Rate		
Debt Service	\$ 0.4000	
Maintenance	-	
Total 2021 Tax Rate	\$ 0.4000	(d)
Bond Fund Balance (as of December 31, 2021)	\$ 8,270,380	(e)
Estimated Population as of November 1, 2021.....	15,316	(f)

Area of District: 1,344.37 acres

- (a) Assessed valuation of the District as of January 1, 2021, as provided by HCAD. Includes \$580,868,218 in certified value, and \$5,201,148 in owner's opinion of value under review and expected to become certified. See "TAXING PROCEDURES."
- (b) Estimated Assessed Valuation as of November 1, 2021, as provided by HCAD, is included solely for purposes of illustration. Estimates of value are not binding on HCAD, and the certified value as of January 1, 2022 may differ significantly from the earlier estimate.
- (c) Includes the Bonds.
- (d) The District levied a 2021 tax rate of \$0.4000.
- (e) Unaudited as of December 31, 2021. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
- (f) Based upon 3.0 residents per completed and occupied single-family home and 2.5 residents per occupied apartment unit. See "THE DISTRICT – Multi-Family Development."

Unlimited Tax Bonds Authorized but Unissued - Table 5

Date of Authorization	Purpose	Authorized ^(a)	Issued to Date	Unissued
8/31/1974	Water and Sewer	\$ 11,700,000	\$ 11,700,000	\$ -
1/6/1979	Water and Sewer	8,300,000	8,300,000	-
10/24/1992	Water and Sewer	12,000,000	12,000,000	-
11/13/1993	Water and Sewer	3,000,000	3,000,000	-
12/5/1998	Water and Sewer	9,240,000	9,240,000	-
5/12/2007	Water and Sewer	20,000,000	10,600,000	9,400,000
5/4/2019	Water, Wastewater & Storm Drainage	32,200,000	17,685,000 ^(b)	14,515,000
5/12/2007	Park and Recreational Facilities	5,900,000	5,900,000	-
Total		\$ 102,340,000	\$ 78,425,000	\$ 23,915,000

- (a) The District has the authority to issue refunding bonds which may increase the Outstanding Bonds. Under City of Houston Ordinances, including Ordinance No. 97-416, the District may not issue refunding bonds unless there is net present value savings in the District's debt service except with the consent of the City or qualification under certain provisions governing economically stressed districts for which the District does not currently qualify.
- (b) Includes the Bonds.

Outstanding Bonds - Table 6

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the Issuance of the Bonds ^(a)
A. New Money Bonds				
12/01/74	Water and Sewer	1974	\$ 1,925,000	\$ -
12/01/75	Water and Sewer	1975	250,000	-
02/01/77	Water and Sewer	1977	1,750,000	-
02/01/79	Water and Sewer	1979	2,000,000	-
06/01/80	Water and Sewer	1980	3,520,000	-
11/01/82	Water and Sewer	1982	875,000	-
07/01/84	Water and Sewer	1984	3,040,000	-
07/01/87	Water and Sewer	1987	1,500,000	-
11/01/88	Water and Sewer	1988A	1,495,000	-
02/01/90	Water and Sewer	1990	1,285,000	-
05/01/92	Water and Sewer	1992	1,425,000	-
04/01/94	Water and Sewer	1994	3,735,000	-
07/01/95	Water and Sewer	1995	885,000	-
12/01/98	Water and Sewer	1998	3,830,000	-
11/01/99	Water and Sewer	1999	4,255,000	-
12/01/01	Water and Sewer	2001	1,275,000	-
08/01/03	Water and Sewer	2003	2,750,000	-
09/01/05	Water and Sewer	2005	8,445,000	-
02/01/10	Park and Recreational Facilities	2010	5,900,000	-
10/01/13	Water, Wastewater & Storm Drainage	2013	10,600,000	800,000
02/15/22	Water, Wastewater & Storm Drainage	2022	17,685,000	17,685,000 ^(a)
Subtotal			\$ 78,425,000	\$ 18,485,000
B. Refunding Bonds				
06/01/88	Refunding	1988	\$ 4,040,000	\$ -
09/01/89	Refunding	1989	2,940,000	-
04/01/93	Refunding	1993	7,880,000	-
12/01/01	Refunding	2001	2,060,000	-
03/01/04	Refunding	2004	8,770,000	-
06/01/11	Refunding	2011	5,230,000	-
02/01/12	Refunding	2012	6,100,000	-
02/01/16	Refunding	2016	6,770,000	2,310,000
11/13/19	Refunding	2019	7,325,000	6,805,000
Subtotal			\$ 51,115,000	\$ 9,115,000
Total			\$ 129,540,000	\$ 27,600,000

(a) The Bonds.

Cash and Investment Balances - Table 7^(a)

General Fund	\$ 2,477,530
Debt Service Fund	8,270,380 ^(b)
Capital Projects Fund	1,742,294

(a) Unaudited as of December 31, 2021.

(b) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.

Investment Authority and Investment Practices of the District

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or by explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the PFIA; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that complies with Securities and Exchange Commission Rule 2a-7; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA", "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of

authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund, groups methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Directors.

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

Current Investments - Table 8

The District, as of December 31, 2021, was invested in TexPool, Money Market accounts, and Certificates of Deposit. This investment portfolio is generally representative of the District's investment practices. GASB Statement No.3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. TexPool is a public funds investment pool. TexPool has not been assigned a risk category since the District has not issued securities, but rather it owns an undivided beneficial interest in the assets of TexPool. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

Investment Value as of December 31, 2021	
Cash	\$ 288,358
Money Market	1,742,294
TexPool	9,984,552
Certificates of Deposit	475,000
Total Investment	\$ 12,490,204

Estimated Overlapping Debt Statement

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

Taxing Body	Gross Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Harris County	\$ 1,682,992,125	12/31/2021	0.170%	\$ 2,861,087
Harris County Department of Education	20,185,000	12/31/2021	0.170%	34,315
Harris County Flood Control District	584,900,000	12/31/2021	0.170%	994,330
Harris County Toll Road ^(a)	-	12/31/2021	0.170%	-
Harris County Hospital District	81,540,000	12/31/2021	0.170%	138,618
Port of Houston Authority	469,434,397	12/31/2021	0.170%	798,038
Clear Creek Independent School District	1,032,420,000	12/31/2021	3.380%	34,895,796
TOTAL ESTIMATED OVERLAPPING DEBT				\$ 39,722,184
The District ^(c)	\$ 27,600,000	2/15/2021	100.000%	\$ 27,600,000
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				\$ 67,322,184
Ratio of Estimated and Overlapping Debt to 2021 Certified Assessed Valuation				5.71%
Ratio of Estimated and Overlapping Debt to Estimated Assessed Valuation as of November 1, 2021				5.60%

(a) No outstanding debt due to self-supporting toll road system.

(b) Taxing jurisdiction with no outstanding debt.

(c) Includes the Bonds.

Overlapping Taxes for 2021

Overlapping Entity	2021 Tax Rate Per \$100 Assessed Valuation	Average Tax Bill ^(a)
	Harris County	Harris County
Harris County	\$0.378140	\$ 897
Harris County Department of Education	0.004807	11
Harris County Flood Control District	0.334900	794
Harris County ESD No. 9	0.032300	77
Harris County Hospital District	0.170970	405
Port of Houston Authority	0.008720	21
Clear Creek Independent School District	1.179700	2,797
The District	<u>0.400000</u>	<u>948</u>
Total	\$2.509537	\$ 5,950

(a) Based upon the 2021 average single family home value of \$237,101, as provided by the District's tax assessor/collector.

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TAX DATA

Classification of Assessed Valuation - Table 9

Type of Property	2021 ^(a)		2020 ^(a)		2019 ^(a)	
	Amount	%	Amount	%	Amount	%
Land Value	\$ 237,738,955	21.18%	\$ 221,885,294	21.82%	\$ 200,234,217	20.67%
Improvement Value	871,707,562	77.65%	863,413,115	84.91%	844,204,326	87.15%
Personal Value	13,170,587	1.17%	18,374,040	1.81%	14,616,956	1.51%
Exemptions	-	0.00%	(86,765,485)	-8.53%	(90,406,834)	-9.33%
Total	<u>\$ 1,122,617,104</u>	<u>100.00%</u>	<u>\$ 1,016,906,964</u>	<u>100.00%</u>	<u>\$968,648,665</u>	<u>100.00%</u>

(a) Provided by the District's tax assessor/collector.

Tax Collections - Table 10

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District audits and records of the District Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information.

(Chart appears on the following page)

Tax Year	Assessed Valuation ^(a)	Tax Rate	Tax Levy	Current Collections		Total Collections		Year Ending
				Amount	%	Amount	%	
1998	\$ 353,746,080	0.6600	\$ 2,334,152	\$ 2,334,024	99.99%	\$ 2,334,024	99.99%	12/31/1999 ^(b)
1999	384,043,700	0.6350	2,438,338	2,437,854	99.98%	2,437,854	99.98%	12/31/2000 ^(b)
2000	414,440,940	0.6050	2,506,737	2,506,276	99.98%	2,506,276	99.98%	12/31/2001 ^(b)
2001	456,438,060	0.5800	2,645,729	2,645,388	99.99%	2,645,388	99.99%	12/31/2002 ^(b)
2002	469,115,040	0.5500	2,577,690	2,577,690	100.00%	2,577,690	100.00%	12/31/2003 ^(b)
2003	501,682,910	0.5200	2,668,488	2,668,488	100.00%	2,668,488	100.00%	12/31/2004 ^(b)
2004	531,127,200	0.5200	2,755,972	2,755,675	99.99%	2,755,675	99.99%	12/31/2005 ^(b)
2005	551,180,691	0.5200	3,041,042	3,041,042	100.00%	3,041,042	100.00%	12/31/2006 ^(b)
2006	605,412,584	0.5200	3,168,480	3,167,846	99.98%	3,167,846	99.98%	12/31/2007 ^(b)
2007	603,922,244	0.5200	3,142,244	3,141,544	99.98%	3,141,544	99.98%	12/31/2008 ^(b)
2008	650,305,017	0.4000	2,604,602	2,603,621	99.96%	2,603,621	99.96%	12/31/2009 ^(b)
2009	648,093,039	0.4000	2,568,035	2,566,705	99.95%	2,566,705	99.95%	12/31/2010 ^(b)
2010	647,844,299	0.4000	2,561,952	2,560,236	99.93%	2,560,236	99.93%	12/31/2011 ^(b)
2011	641,690,232	0.4000	2,555,868	2,553,723	99.92%	2,553,723	99.92%	12/31/2012 ^(b)
2012	637,311,992	0.4000	2,534,552	2,532,063	99.90%	2,532,063	99.90%	12/31/2013 ^(b)
2013	641,203,901	0.4000	2,565,202	2,558,019	99.72%	2,558,019	99.72%	12/31/2014 ^(b)
2014	685,596,565	0.4000	2,742,637	2,730,844	99.57%	2,730,844	99.57%	12/31/2015 ^(b)
2015	736,569,259	0.4000	2,946,387	2,924,878	99.27%	2,924,878	99.27%	12/31/2016 ^(b)
2016	810,924,190	0.4000	3,242,670	3,231,969	99.67%	3,231,969	99.67%	12/31/2017 ^(b)
2017	873,458,933	0.4000	3,490,155	3,478,288	99.66%	3,478,288	99.66%	12/31/2018 ^(b)
2018	897,590,880	0.4000	3,590,577	3,577,651	99.64%	3,577,651	99.64%	12/31/2019 ^(b)
2019	968,648,665	0.4000	3,874,594	3,849,412	99.35%	3,849,412	99.35%	12/31/2020 ^(b)
2020	1,016,906,964	0.4000	4,070,122	4,049,771	99.50%	4,049,771	99.50%	12/31/2021 ^(c)
2021	1,090,900,304	0.4000	4,401,737	<i>In the process of collection</i>				12/31/2022 ^(d)

(a) Assessed Valuation reflects the adjusted value at December 31st of each respective year as reflected in the audited financial statement.

(b) Audited.

(c) Unaudited. Reflects collections through November 30, 2021.

(d) Taxes are due with no penalty by January 31, 2022.

District Tax Rates - Table 11

Tax Rate per \$100 Assessed Valuation	2021	2020	2019	2018	2017
Debt Service	\$ 0.4000	\$ 0.4000	\$ 0.4000	\$ 0.4000	\$ 0.4000
Maintenance and Operations	-	-	-	-	-
Total	<u>\$0.4000</u>	<u>\$0.4000</u>	<u>\$0.4000</u>	<u>\$0.4000</u>	<u>\$0.4000</u>

Debt Service Tax

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount. As shown above, the District levied a 2020 debt service tax rate of \$0.4000 per \$100 assessed valuation.

Principal Taxpayers - Table 12

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based on the 2021, 2020 and 2019 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Name	Type of Property	2021	2020	2019
Baybrook LL LLC	Commercial Building	\$ 52,426,508	\$ 46,273,106	\$ 28,204,502
SPCP Edge CL Owner LLC	Investments	19,243,124	(a)	(a)
Baybrook LL LLC	Commercial Building	12,903,492	13,656,972	23,158,943
MDDS Properties LLC	Commercial Building	9,260,357	9,216,323	5,580,963
2300 Bay Aread SP LLC	Land and Improvements	7,587,830	7,332,489	7,489,057
Bay 528 Plaza LLC	Shopping Center	7,296,229	7,298,706	4,715,854
Storage Trust Properties LP	Storage Units/Warehouses	4,578,048	4,162,125	4,614,852
Centerpoint Energy Houston Electric	Utilities	4,363,060	4,098,170	4,066,120
Individual Homeowner	Land and Improvements	2,862,843	2,692,562	(a)
Basic Equipment Co.	Commercial Building	2,463,638	(a)	(a)
Arapahoe Texas LLC	Investments	2,137,385	(a)	(a)
RFI Crystal Bay LLC	Investments	-	20,264,529	17,334,377
CSH 2016 2 Borrower LLC	Land and Improvements	-	4,307,118	(a)
Total		\$ 125,122,514	\$ 119,302,100	\$ 95,164,668
Percent of Assessed Valuation		13.29%	12.32%	10.68%

(a) Not a principal taxpayer for respective year.

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2021 Certified Assessed Valuation and the Estimated Assessed Valuation as of November 1, 2021, and utilize tax rates adequate to service the District's total debt service requirements, including the Bonds (at an estimated interest rate of 2.50%). No available Bond Funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS - Impact on District Tax Rates."

Average Requirement on the Bonds and the Outstanding Bonds (2022 through 2041)	\$1,687,708
\$0.16 Tax Rate on 2021 Certified Assessed Valuation of \$1,179,333,342 @ 95% collections produces	\$1,792,587
\$0.16 Tax Rate on Estimated Assessed Valuation as of November 1, 2021 of \$1,201,762,615 @ 95% collections produces	\$1,712,512
Maximum Requirement on the Bonds (2023)	\$2,714,880
\$0.31 Tax Rate on 2021 Certified Assessed Valuation of \$1,179,333,342 @ 95% collections produces	\$2,800,917
\$0.25 Tax Rate on Estimated Assessed Valuation as of November 1, 2021 of \$1,201,762,615 @ 95% collections produces	\$2,740,019

Bond Fund Management Index

Debt Service Requirements for year ending 12/31/22.....	\$2,573,022 ^(a)
Unaudited Debt Service Fund Balance as of 9/30/2021	\$7,559,788 ^(b)
2021 Debt Service Tax Levy @ 95% collections produces.....	<u>\$3,708,862^(c)</u>
Total Available for Debt Service.....	<u>\$11,268,650</u>
Projected Bond Fund Balance as of August 2, 2021	\$8,695,628

(a) Interest payments on the Bonds begin August 1, 2022.

(b) Unaudited debt service fund balance as of September 30, 2021. Represents the debt service fund balance after all 2021 debt service requirements have been paid.

(c) The District levied a 2021 debt service tax rate of \$0.4000 in October 2021, collection of which is due with no penalty by January 31, 2022.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Orders to levy such a tax from year to year as described more fully herein under "THE BONDS – Source of and Security for Payment." Under Texas law, the Board may also levy and collect an ad valorem tax for the operation and maintenance of the District and its water and wastewater system and, if approved by the voters, for the payment of certain contractual obligations. See "TAX DATA – Maintenance Tax."

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 which is elected by the governing bodies of cities, towns, school districts, and conservation and reclamation districts such as the District that participate in the appraisal district and of the county. The board of directors of the appraisal district selects a chief appraiser to manage the appraisal offices of the appraisal district. All taxing units within Harris County, including the District, are included in the Harris County Appraisal District (the "Appraisal District"). The Appraisal District is responsible for appraising property within the District, subject to review by the Harris County Appraisal Review Board. The District must use the appraisal roll as approved by the Harris County Appraisal Review Board to establish its tax roll and tax rate. The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; income producing tangible personal property or mineral interest with a taxable value of less than \$500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain household goods, wares and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development organizations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. Partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran is property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty. Additionally, a disabled veteran who receives 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual employability is entitled to an exemption from taxation of the total appraised value of their residence homestead, effective for the tax years beginning on or after January 1, 2009. Also partially exempt are residence homesteads of certain persons who are disabled or at least 65 years old of \$20,000 of appraised value. The District's tax assessor 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. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before June 1. The District has not adopted a general homestead exemption.

Freeport Goods Exemption: Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing, or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. 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 is limited to 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. The exemption excludes oil, natural gas, petroleum products, aircraft, and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment, and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, the City of Houston (after annexation of the District), the Cypress-Fairbanks Independent School District, or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the agreement. Effective September 1, 1999, the terms of the tax abatement agreements of the taxing jurisdiction are not required to be identical.

Valuation of Property for Taxation

Generally, all taxable property in the District must be appraised by the Harris County Appraisal District at one hundred percent (100%) of market value as of January 1 of each year, subject to review and approval by the Appraisal Review Board. In determining market value, either for replacement cost or the market data method of valuation may be used, whichever is appropriate.

Certain land may be appraised at less than market value under the Property Tax Code. A residence homestead is to be appraised solely on the basis of its value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. Increases in the appraised value of residence homesteads are limited to 10 percent annually regardless of the market value of the property. Upon application of a landowner, land which qualifies as "open-space land" is appraised based on the category of land, using accepted income capitalization methods applied to the average net income derived from the use of the land for agriculture and hunting or recreational leases. Upon application of a landowner, land which qualifies as "timber land" is appraised using accepted income capitalization methods applied to the average net income derived from the use of the land for production of timber. Land which qualifies as an aesthetic management zone, critical wildlife management zone, or streamside management zone or is being regenerated for timber production for 10 years after harvest is valued at one-half that amount. In the case of both open space and timber land valuations, if the use of land changes, an additional tax is generally imposed on the land equal to the difference between the taxes imposed on the land for each of the five (5) years preceding the year in which the change of use occurs and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of seven percent (7%) calculated from the dates on which the differences would have become due. There are also special appraisal methods for agricultural land owned by individuals whose primary occupation and income are farming and for recreational, park, and scenic land. Also, houses or lots 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, upon application of the owner.

Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property in the Appraisal District at least one every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

District and Taxpayer Remedies

The chief appraiser must give written notice before the Appraisal Review Board meeting to an affected owner if a reappraisal has resulted in an increase in value over the prior year or the value rendered by the owner, or if property not previously included on the appraisal roll has been appraised. Any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board of the owner's protest by filing suit in Texas district court. Prior to such appeal, 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, but not to exceed 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 appraisal of certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption, or a determination that land qualifies for a special use appraisal (agricultural or timber classification, for example). The District may not, however, protest a valuation of individual property.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. Those taxes billed at a later date that become delinquent on or after June 1 will also incur 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.

Rollback of Operation and Maintenance Tax Rate

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

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

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 in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Texas 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 the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts: The qualified voters of these Developing Districts, upon a Developing District's adoption of 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 in the district, 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2021 tax year, the Board of Directors has designated the District as a Developed District, but the District cannot give any assurances as to what its classification will be at any future point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property 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 state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT - Estimated Overlapping Debt Statement" and "- Overlapping Taxes for 2021." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the

United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (in the case of a residential homestead or agricultural property, a taxpayer may redeem such property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records, otherwise six (6) months) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS – General" and "– Tax Collections and Foreclosure Remedies."

Reappraisal of Property after Disaster

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

Delinquent Tax Payments for Disaster Areas

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes on the property in four equal quarterly installments by notice to the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1 but could be delayed because of delayed valuations. Quarterly payments by a substantial number of owners could adversely affect a District's collection of taxes for debt service in the year following a disaster.

After January 1, 2020, a district may adopt an exemption for a portion of the value of the property damaged by a declared national disaster based on the percentage of damage to the property.

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Norton Rose Fulbright US LLP, Houston, Texas ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS – Tax Exemption." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold, and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to an opinion of Bond Counsel, to the effect that, pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions thereunder, interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds. The Bond Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state, or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, S corporations with "subchapter C" earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such accrued interest may be required to be taken into account the amount of the branch profits tax applicable to certain corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale, or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Bonds (the “Premium Bonds”) paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser’s tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser’s yield to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond).

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Not Qualified Tax-Exempt Obligations for Financial Institutions

The Bonds are NOT “qualified tax-exempt obligations” for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, 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, and timely notice of specified events, to certain information to the Municipal Securities Rulemaking Board (“MSRB”). Information will be available free of charge by the MSRB via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables 1 through 12 and in Appendix A. The District will update and provide this information within six months after the end of each fiscal year. The District will provide the updated information to the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements if it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Notice of Certain Events

The District shall notify the MSRB via EMMA, in a timely manner not in excess of 10 business days, of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders 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, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to the supervision and orders of a court or government authority, or the entry of an order confirming a plan of reorganization arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation means (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for an existing or planned debt obligation; or (iii) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

The District shall notify the MSRB via EMMA, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Order.

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described above under “Annual Reports” and “Notice of Certain Events” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

Limitations and Amendments

The District shall be obligated to observe and perform the covenants specified in the Order for so long as, but only for so long as, the District remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the District in any event will give the notice required by the Order of any Bond calls and defeasance that cause the District to be no longer such an “obligated person.”

The provisions of the Order are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to the Order and does not undertake to provide any other information that may be relevant or material to a complete presentation of the District’s financial results, condition, or prospects or thereby undertake to update any information, except as expressly provided in the Order. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

Under no circumstances shall the District be liable to the holder or beneficial owner of any bond or any other person, in contract or tort, for damages resulting in whole or in part from any breach by the District, whether negligent or without fault on its part, of any covenant specified in the order, but every right and remedy of any such person, in contract or tort, for or on account of any such breach shall be limited to an action for mandamus or specific performance.

No default by the District in observing or performing its obligations under this Article shall constitute a breach of or default under the Order for purposes of any other provision of the Order.

Nothing in the Order is intended or shall act to disclaim, waive, or otherwise limit the duties of the District under federal and state securities laws.

The provisions of the Order may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations or businesses of the District, but only if (1) the provisions of the Order, as so amended, would have permitted an underwriter to purchase or sell Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. If the District so amends the provisions of the Order, the District shall include with any amended financial information or operating data next provided in accordance with the Order an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The District may also repeal or amend the provisions of the Order if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the provisions of the Order in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in a primary offering of the Bonds.

Compliance with Prior Undertakings

In the past five years, the District is in compliance with all material provisions of its continuing disclosure undertaking in accordance with SEC Rule 15c2-12.

FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of Public Finance Group LLC (the "Financial Advisor"), which firm was employed in 2014 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

OFFICIAL STATEMENT

Preparation

The information in this Official Statement was compiled and edited by the District's Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:

"THE DISTRICT" and "THE SYSTEM" – District Engineer;
"FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized But Unissued" - Records of the District,
"FINANCIAL STATEMENT – Assessed Value" – Equi-Tax, Inc. (with information provided by Harris County Appraisal District);
"INVESTMENT AUTHORITY AND PRACTICES OF THE DISTRICT - Estimated Overlapping Debt Statement" - Municipal Advisory Council of Texas and Financial Advisor;
"THE SYSTEM - Water and Wastewater Operations" – Records of the District;
"TAX DATA" – Tax Assessor and Collector;
"THE DISTRICT - Management of the District" - District Directors;
"DEBT SERVICE REQUIREMENTS – TABLE 3" - Financial Advisor;
"THE BONDS" (except "Payment Record", "DTC Redemption Provisions") – Norton Rose Fulbright US LLP;
"TAXING PROCEDURES" - Norton Rose Fulbright US LLP
"LEGAL MATTERS" - Norton Rose Fulbright US LLP
"TAX MATTERS" - Norton Rose Fulbright US LLP
"CONTINUING DISCLOSURE OF INFORMATION" (except "Compliance with Prior Undertakings") - Norton Rose Fulbright US LLP

Bond Counsel has reviewed the summaries included herein contained under the captions "THE BONDS" (but not under the heading "Payment Record"), and "CONTINUING DISCLOSURE OF INFORMATION" (but not under the heading "Compliance with Prior Undertakings"), to determine that such summaries correctly describe the Bonds and the Bond Order for the purposes intended, and that matters discussed herein under the headings "THE DISTRICT – General", "TAXING PROCEDURES", and "TAX MATTERS," are correct as to matters of law.

Consultants

In approving this Official Statement, the District has relied upon the following consultants:

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

Auditor: The District's audited financial statements for the fiscal year ended December 31, 2020 were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "Appendix A" for a copy of the District's Audited Financial Statements as of December 31, 2020.

Appraisal District: The information contained in this Official Statement relating to the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "FINANCIAL STATEMENT," has been provided by the Harris County Appraisal District, in reliance upon their authority in the field of appraising and tax assessing.

Tax Assessor/Collector: The information contained in this Official Statement relating to tax collection rates, and principal taxpayers has been provided by Equi-Tax in reliance upon their authority in the field of tax assessing and collecting.

Updating the Official Statement during Underwriting Period

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

Certification as to Official Statement

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

Annual Audits

Under State Law, the District must keep its fiscal records in accordance with generally accepted accounting principles. It must also have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year once the District has issued bonds or has assets or receipts in excess of \$100,000. Prior to selling bonds or having assets over \$100,000, the District is allowed under State law to file a financial report in lieu of an audit. Copies of each audit report must also be filed in the office of the District. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District is required by law to provide a copy of the District's audit reports to any registered owner or other member of the public within a reasonable time on request, upon payment of charges prescribed by the Texas General Services Commission.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 55, as of the date shown on the first page hereof.

PHOTOGRAPHS

The following photographs were taken in the District in December 2021. The homes shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See “THE DISTRICT.”



































APPENDIX A

The information contained in this appendix include the audited financial statement of Harris County Municipal Utility District No. 55 for the fiscal year ended December 31, 2020.

APPENDIX B
Form of Bond Counsel Opinion

APPENDIX C
Specimen Municipal Bond Insurance Policy