

NOTICE TO PURCHASER OF SPECIAL TAXING DISTRICT

The real property, described below, that you are about to purchase is located in the Harris County Municipal Utility District No. 165 (the "District") and may be subject to District taxes or assessments. The District may, subject to voter approval, impose taxes and issue bonds. The current rate of the District property tax is \$0.86 on each \$100 of assessed valuation. Additionally, the rate of taxes levied by the District on real property located in Defined Area No. 1 is \$0.64 on each \$100 of assessed valuation, for a total tax rate for real property in the Defined Area No. 1 of \$1.50 per \$100 assessed valuation (\$0.86 plus \$0.64). Additionally, the rate of taxes levied by the District on real property located in Defined Area No. 2 is \$0.64 on each \$100 of assessed valuation, for a total tax rate for real property in the Defined Area No. 2 of \$1.50 per \$100 assessed valuation (\$0.86 plus \$0.64).

The total amount of bonds payable wholly or partly from property taxes, excluding refunding bonds that are separately approved by the voters, approved by the voters are:

\$665,684,000 for water, sanitary sewer, drainage, and flood control facilities within the District;

\$281,255,000 for water, sanitary sewer, drainage, and flood control facilities within Defined Area No. 1;

\$277,673,000 for water, sanitary sewer, drainage, and flood control facilities within Defined Area No. 2;

\$49,297,112 for refunding bonds for water, sanitary sewer, drainage, and flood control facilities within Defined Area No. 2;

\$16,000,000 for parks and recreational facilities within the District;

\$43,995,000 for parks and recreational facilities within Defined Area No. 1;

\$36,431,000 for parks and recreational facilities within Defined Area No. 2;

\$10,930,000 for refunding bonds for parks and recreational facilities within Defined Area No. 2;

\$149,440,000 for road facilities within Defined Area No. 1;

\$155,836,000 for road facilities within Defined Area No. 2;

\$27,727,294 for refunding bonds for road facilities within Defined Area No. 2;
and

\$8,000,000 for refunding bonds within the District.

The aggregate initial principal amounts of all such bonds issued are:

\$313,520,000 for water, sanitary sewer, drainage, and flood control facilities within the District;

\$0 for water, sanitary sewer, drainage, and flood control facilities within Defined Area No. 1;

\$0 for water, sanitary sewer, drainage, and flood control facilities within Defined Area No. 2;

\$0 for parks and recreational facilities within the District;

\$0 for parks and recreational facilities within Defined Area No. 1; and

\$11,195,000 for parks and recreational facilities within Defined Area No. 2;

\$38,790,000 for road facilities within Defined Area No. 1; and

\$52,365,000 for road facilities within Defined Area No. 2.

The District is located wholly or partly in the extraterritorial jurisdiction of the City of Houston. Texas law governs the ability of a municipality to annex property in the municipality's extraterritorial jurisdiction and whether a District that is annexed by the municipality is dissolved.

The District has entered into a strategic partnership agreement (the "Agreement") with the City of Houston (the "City"). This agreement may address the timeframe, process, and procedures for the municipal annexation of the area of the District located in the municipality's extraterritorial jurisdiction.

The purpose of this District is to provide water and sewer, drainage and flood control, park and recreational and road facilities and services. The cost of District facilities is not included in the purchase price of your property.