**SIENNA MUNICIPAL UTILITY DISTRICT NO. 7**
**(FORT BEND COUNTY, TEXAS)**

**PRELIMINARY OFFICIAL STATEMENT**
**DATED: AUGUST 19, 2025**

**$1,950,000**
**UNLIMITED TAX BONDS**
**SERIES 2025**

**BIDS TO BE SUBMITTED BY: 9:30 A.M., CENTRAL TIME**
**TUESDAY, SEPTEMBER 16, 2025**

**$2,000,000**
**UNLIMITED TAX ROAD BONDS**
**SERIES 2025**

**BIDS TO BE SUBMITTED BY: 9:30 A.M., CENTRAL TIME**
**TUESDAY, SEPTEMBER 16, 2025**

**BONDS TO BE AWARDED AT: 12:00 P.M., CENTRAL TIME**
**TUESDAY, SEPTEMBER 16, 2025**

**Financial Advisor**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 19, 2025**

*This Preliminary Official Statement is subject to completion and amendment and is intended for the solicitation of initial bids to purchase the Bonds (herein defined). Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchasers (herein defined).*

***In the opinion of Bond Counsel (herein defined), under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.***

**The Bonds will be designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."**

**NEW ISSUE – Book-Entry-Only** **NOT RATED**

**SIENNA MUNICIPAL UTILITY DISTRICT NO. 7**

(A political subdivision of the State of Texas, located within Fort Bend County, Texas)

| **$1,950,000** | **$2,000,000** |
|---|---|
| **Unlimited Tax Bonds** | **Unlimited Tax Road Bonds** |
| **Series 2025** | **Series 2025** |

**Dated: October 1, 2025** **Due: September 1, as shown on the inside cover**
**Interest Accrues From: October 22, 2025**

The $1,950,000 Sienna Municipal Utility District No. 7 Unlimited Tax Bonds, Series 2025 (the "System Bonds") and the $2,000,000 Sienna Municipal Utility District No. 7 Unlimited Tax Road Bonds, Series 2025 (the "Road Bonds," and together with the System Bonds, the "Bonds") are obligations of Sienna Municipal Utility District No. 7 (the "District") and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Missouri City, Texas; or any entity other than the District.

The Bonds are dated October 1, 2025, and mature on September 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about October 22, 2025), at the rates set forth on the inside cover, and is payable March 1, 2026, and each September 1 and March 1 thereafter (the "Interest Payment Date") until the earlier of stated maturity or prior redemption. Principal of the Bonds is payable to the registered owners of the Bonds (the "Registered Owners") at BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment at the stated maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date. The Bonds will be issued only in fully registered form in the denomination of $5,000 of principal amount, or any integral multiple thereof.

The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of Payment."

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as discussed under "THE BONDS – Book-Entry-Only System."

**See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" on the inside cover.**

The System Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater, and storm drainage system to serve the District (the "Utility System") and the Road Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a road system to serve the District (the "Road System"). Voters in the District have authorized a total of $271,300,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for the purpose of refunding such bonds, and a total of $156,900,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for the purpose of refunding such bonds. Additionally, voters in the District have authorized a total of $68,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities to serve the District, and for the purpose of refunding such bonds. Following the issuance of the Bonds, $269,350,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for the purpose of refunding such bonds; $154,900,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for the purpose of refunding such bonds; and $68,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities to serve the District, and for the purpose of refunding such bonds, will remain authorized and unissued.

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS AS DISCUSSED UNDER "RISK FACTORS."

The Bonds are offered subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchasers, subject to the approval of the Attorney General of Texas and Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about October 22, 2025.

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

**$1,950,000 Sienna Municipal Utility District No. 7 Unlimited Tax Bonds, Series 2025**

| Maturity September 1 | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. _____ (b) | Maturity September 1 | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. _____ (b) |
|---|---|---|---|---|---|---|---|---|---|
| 2027 | $ 45,000 | ____% | ____% | ___ | 2039 (c) | $ 80,000 | ____% | ____% | ___ |
| 2028 | 45,000 | ____% | ____% | ___ | 2040 (c) | 85,000 | ____% | ____% | ___ |
| 2029 | 45,000 | ____% | ____% | ___ | 2041 (c) | 85,000 | ____% | ____% | ___ |
| 2030 | 50,000 | ____% | ____% | ___ | 2042 (c) | 90,000 | ____% | ____% | ___ |
| 2031 (c) | 50,000 | ____% | ____% | ___ | 2043 (c) | 95,000 | ____% | ____% | ___ |
| 2032 (c) | 55,000 | ____% | ____% | ___ | 2044 (c) | 100,000 | ____% | ____% | ___ |
| 2033 (c) | 60,000 | ____% | ____% | ___ | 2045 (c) | 105,000 | ____% | ____% | ___ |
| 2034 (c) | 60,000 | ____% | ____% | ___ | 2046 (c) | 110,000 | ____% | ____% | ___ |
| 2035 (c) | 65,000 | ____% | ____% | ___ | 2047 (c) | 120,000 | ____% | ____% | ___ |
| 2036 (c) | 65,000 | ____% | ____% | ___ | 2048 (c) | 125,000 | ____% | ____% | ___ |
| 2037 (c) | 70,000 | ____% | ____% | ___ | 2049 (c) | 130,000 | ____% | ____% | ___ |
| 2038 (c) | 75,000 | ____% | ____% | ___ | 2050 (c) | 140,000 | ____% | ____% | ___ |

**$2,000,000 Sienna Municipal Utility District No. 7 Unlimited Tax Road Bonds, Series 2025**

| Maturity September 1 | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. _____ (b) | Maturity September 1 | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. _____ (b) |
|---|---|---|---|---|---|---|---|---|---|
| 2027 | $ 45,000 | ____% | ____% | ___ | 2039 (c) | $ 80,000 | ____% | ____% | ___ |
| 2028 | 45,000 | ____% | ____% | ___ | 2040 (c) | 85,000 | ____% | ____% | ___ |
| 2029 | 50,000 | ____% | ____% | ___ | 2041 (c) | 90,000 | ____% | ____% | ___ |
| 2030 | 50,000 | ____% | ____% | ___ | 2042 (c) | 95,000 | ____% | ____% | ___ |
| 2031 (c) | 55,000 | ____% | ____% | ___ | 2043 (c) | 100,000 | ____% | ____% | ___ |
| 2032 (c) | 55,000 | ____% | ____% | ___ | 2044 (c) | 105,000 | ____% | ____% | ___ |
| 2033 (c) | 60,000 | ____% | ____% | ___ | 2045 (c) | 110,000 | ____% | ____% | ___ |
| 2034 (c) | 60,000 | ____% | ____% | ___ | 2046 (c) | 115,000 | ____% | ____% | ___ |
| 2035 (c) | 65,000 | ____% | ____% | ___ | 2047 (c) | 120,000 | ____% | ____% | ___ |
| 2036 (c) | 70,000 | ____% | ____% | ___ | 2048 (c) | 125,000 | ____% | ____% | ___ |
| 2037 (c) | 70,000 | ____% | ____% | ___ | 2049 (c) | 135,000 | ____% | ____% | ___ |
| 2038 (c) | 75,000 | ____% | ____% | ___ | 2050 (c) | 140,000 | ____% | ____% | ___ |

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(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchasers. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.

(b) CUSIP numbers will be assigned to this issue by the CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds.

(c) The Bonds maturing on September 1, 2031, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, the Initial Purchasers may designate one (1) or more maturities as term bonds. See "THE BONDS – Redemption of the Bonds."

## USE OF INFORMATION IN OFFICIAL STATEMENT

*For purposes of compliance with United States Securities and Exchange Commission (the "SEC") Rule 15c2-12 (the "Rule") in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date (or of any such supplement or correction) except for the omission of no more than information permitted by the Rule.*

*This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "final official statement" of the District with respect to the Bonds, as such term is defined in the Rule.*

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein 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 Bond Counsel upon payment of duplication costs, for further information.

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

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APPENDIX A: Aerial Photograph of the District

APPENDIX B: Financial Statements of the District

APPENDIX C: Financial Statements of the Developer

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## SALE AND DISTRIBUTION OF THE BONDS

### Award of the Bonds

After requesting competitive bids for the System Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by _____ (the "System Bond Initial Purchaser") to purchase the System Bonds bearing the interest rates shown on the inside cover under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" at a price of _____% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by _____ (the "Road Bond Initial Purchaser," and together with the System Bond Initial Purchaser, the "Initial Purchasers") to purchase the Road Bonds bearing the interest rates shown on the inside cover under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" at a price of _____% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

### Prices and Marketability

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchasers on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, dealer, or similar person or organization acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchasers regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchasers.

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 Purchasers 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 INITIAL PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### Securities Laws

No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933 in reliance upon 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 acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

### Delivery of Official Statements

The District shall furnish to the Initial Purchasers (and to each participating underwriter of the Bonds, within the meaning of the Rule, designated by the Initial Purchaser), within seven (7) business days after the sale date, the aggregate number of Official Statements agreed upon between the District and the Initial Purchasers. The District also shall furnish to the Initial Purchasers a like number of any supplements or amendments approved and authorized for distribution by the District for dissemination to potential underwriters of the Bonds, as well as such additional copies of this Official Statement or any such supplements or amendments as the Initial Purchasers may reasonably request prior to the 90th day after the end of the underwriting period described in the Rule. The District shall pay the expense of preparing the number of copies of this Official Statement agreed upon between the District and the Initial Purchasers and an equal number of any supplements or amendments issued on or before the delivery date, but the Initial Purchasers shall pay for all other copies of this Official Statement or any supplement or amendment thereto.

## MUNICIPAL BOND INSURANCE

The District has made applications to Build America Mutual Assurance Company and Assured Guaranty, Inc. for a commitment for municipal bond guaranty insurance on the Bonds. The payment of all associated costs, including the premium charged by the insurance company and fees charged by rating companies, will be at the option and expense of the Initial Purchasers.

## RATINGS

The District has not made an application for a municipal bond rating on the Bonds. Furthermore, it is not expected that the District would have been successful in receiving an investment grade rating on the Bonds.

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## OFFICIAL STATEMENT SUMMARY

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

### THE BONDS

| | |
|---|---|
| The Issuer | Sienna Municipal Utility District No. 7 (the "District"), a political subdivision of the State of Texas ("Texas"), is located in Fort Bend County, Texas (the "County"). See "THE DISTRICT." |
| The Issue | The $1,950,000 Sienna Municipal Utility District No. 7 Unlimited Tax Bonds, Series 2025 (the "System Bonds") and the $2,000,000 Sienna Municipal Utility District No. 7 Unlimited Tax Road Bonds, Series 2025 (the "Road Bonds," and together with the System Bonds, the "Bonds") are dated October 1, 2025, and mature on September 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about October 22, 2025), at the rates set forth on the inside cover, and is payable March 1, 2026, and each September 1 and March 1 thereafter until the earlier of stated maturity or prior redemption. See "THE BONDS." |
| Redemption of the Bonds | The Bonds maturing on September 1, 2031, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds." |
| Source of Payment | The Bonds are payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of Texas; the County; the City of Missouri City, Texas (the "City"); or any entity other than the District. See "THE BONDS – Source of Payment." |
| Payment Record/Outstanding Bonds | The Bonds are the first issuances of bonded indebtedness by the District. |
| Book-Entry-Only System | The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System discussed herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Principal of and interest on the Bonds will be payable by the office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System." |
| Authority for Issuance | The System Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater, and storm drainage system to serve the District (the "Utility System") and the Road Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a road system to serve the District (the "Road System"). Voters in the District have authorized a total of $271,300,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for the purpose of refunding such bonds, and a total of $156,900,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for the purpose of refunding such bonds. Additionally, voters in the District have authorized a total of $68,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities to serve the District, and for the purpose of refunding such bonds. Following the issuance of the Bonds, |

| | |
|---|---|
| | $269,350,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for the purpose of refunding such bonds; $154,900,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for the purpose of refunding such bonds; and $68,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities to serve the District, and for the purpose of refunding such bonds, will remain authorized and unissued.<br><br>The System Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"); a resolution of the Board of Directors of the District (the "Board") authorizing the issuance of the System Bonds (the "System Bond Resolution"); Article XVI, Section 59 of the Texas Constitution; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code; and an election held within the District on November 3, 2009.<br><br>The Road Bonds are issued pursuant to a resolution of the Board authorizing the issuance of the Road Bonds (the "Road Bond Resolution"); Article III, Section 52 of the Texas Constitution; Chapter 8323 of the Special District Local Laws Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code; and an election held within the District on November 3, 2009. See "THE BONDS – Authority for Issuance" and "THE BONDS – Issuance of Additional Debt." |
| Use and Distribution of System Bond Proceeds | Proceeds from the sale of the System Bonds, along with other legally available District funds, will be used to reimburse the Developer (herein defined) for the improvements and related costs shown under "THE BONDS – Use and Distribution of System Bond Proceeds." Additionally, proceeds from the sale of the System Bonds will be used to pay: eighteen (18) months of capitalized interest; developer interest; creation and operating costs; and certain other costs associated with the issuance of the System Bonds. See "THE BONDS – Use and Distribution of System Bond Proceeds." |
| Use and Distribution of Road Bond Proceeds | Proceeds from the sale of the Road Bonds will be used to reimburse the Developer for the improvements and related costs shown under "THE BONDS – Use and Distribution of Road Bond Proceeds." Additionally, proceeds from the sale of the Road Bonds will be used to pay: eighteen (18) months of capitalized interest; developer interest; and certain other costs associated with the issuance of the Road Bonds. See "THE BONDS – Use and Distribution of Road Bond Proceeds." |
| Municipal Bond Insurance | The District has made applications to Build America Mutual Assurance Company and Assured Guaranty, Inc. for a commitment for municipal bond guaranty insurance on the Bonds. The payment of all associated costs, including the premium charged by the insurance company and fees charged by rating companies, will be at the option and expense of the Initial Purchasers (herein defined). |
| Ratings | The District has not made an application for a municipal bond rating on the Bonds. Furthermore, it is not expected that the District would have been successful in receiving an investment grade rating on the Bonds. |
| Qualified Tax-Exempt Obligations | The Bonds will be designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations." |
| Bond Counsel | Allen Boone Humphries Robinson LLP, Houston, Texas. |
| Disclosure Counsel | Orrick, Herrington & Sutcliffe LLP, Houston, Texas. |
| Financial Advisor | Robert W. Baird & Co. Incorporated, Houston, Texas. |
| Engineer | LJA, Inc., Houston, Texas. |

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

**THE DISTRICT**

Description..... The District was created by order of the Texas Water Commission, predecessor to the TCEQ, on October 17, 1979, and operates pursuant to the general laws of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code; Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution; and Chapter 8323 of the Special District Local Laws Code. The District was originally named "Sienna Plantation Municipal Utility District No. 1" and was renamed "Sienna Plantation Municipal Utility District No. 7" by resolution to the Texas Natural Resource Conservation Commission, predecessor to the TCEQ, submitted December 12, 1996. The District petitioned the TCEQ to change its name from "Sienna Plantation Municipal Utility District No. 7" to "Sienna Municipal Utility District No. 7," and such petition was granted by order of the TCEQ, dated June 29, 2021. The District encompasses approximately 1,029 acres. The District is located in the southeast part of the County, approximately 24 miles southwest of the downtown of the City of Houston, Texas. The District is approximately four (4) miles south of the intersection of the Fort Bend Parkway Toll Road and Sienna Parkway; approximately 11 miles southeast of the intersection of Texas State Highway 6 and U.S. Highway 59; and approximately five (5) miles south of the intersection of Texas State Highway 6 and Sienna Parkway. FM 529 borders the District on the west. The District is west of Sienna Municipal Utility District No. 4 ("SMUD4"). The District is situated entirely within the boundaries of both Fort Bend Independent School District and SPLID (herein defined). The District also lies wholly within the extraterritorial jurisdiction of the City.

The District, the Master District (herein defined), SMUD4, and Sienna Municipal Utility District No. 6 are collectively referred to herein as the "Participants," and collectively comprise of the area referred to herein as the "Service Area," which is part of Sienna (herein defined) and consists of approximately 3,424 acres. SPLID provides major outfall drainage and flood protection for the District. See "THE DISTRICT."

Sienna ..... In December 2013, the Developer purchased approximately 3,800 acres within the southern region of the approximately 10,230-acre master planned community known as "Sienna." The Developer's property (the "Toll Brothers Development") encompasses the Service Area, which includes the District. An affiliate of JDC (herein defined) has been hired as fee developer for the Developer. Development and homebuilding are currently underway in the Toll Brothers Development.

In addition to the Toll Brothers Development, JDC, through several partnerships, has acquired and developed approximately 4,500 acres within the northern region of Sienna. This area includes three (3) internal municipal utility districts (previously four (4), before Sienna Municipal Utility District No. 2 was annexed and dissolved by the City) and a management district, as well as an approximate 214-acre rural estate subdivision known as The Woods at Sienna. See "SIENNA – Description of the Project."

Development Agreement ..... The Developer has entered into a Sienna Plantation Joint Development Agreement with the City, as amended by the Eighth Amendment (herein defined) (collectively, the "Development Agreement"), pursuant to which the City stipulates its regulatory authority over the development of the Service Area (which includes the District), establishes certain restrictions and commitments related to the development of the Service Area, sets forth a formula for determining the timing of annexation of land within the Service Area by the City, and identifies and establishes a master plan for the development of the Service Area. The development of all land within the Service Area is governed by the provisions of the Development Agreement. See "SIENNA – Development Agreement."

| | |
|---|---|
| Development Within the District | To date, approximately 105.6 acres (151 lots) within the District have been developed as the single-family residential subdivision of Sienna, Sections 50A, 50B, 50C, and 51A. As of August 1, 2025, 34 homes were complete (21 occupied, 10 unoccupied, and three (3) models), eight (8) homes were under construction, and 109 lots were developed and vacant. Approximately 87.1 acres (224 lots) are currently under development as the single-family residential subdivision of Sienna, Sections 51B, 76, 81, and 83. The remaining land within the District includes approximately 788.8 undeveloped but developable acres and approximately 47.5 undevelopable acres. |
| The Developer | The primary developer of land within the Service Area, which includes the District, is Toll-GTIS Property Owner, LLC (the "Developer"). Johnson SS Management LLC, an affiliate of Johnson Development Corporation ("JDC"), has been hired as fee developer for the Developer. No landowner is obligated to pay any principal or interest on the Bonds. See "DESCRIPTION OF THE DEVELOPER." |
| Homebuilders Active Within the District | Homebuilders active within the District include Toll Brothers; Perry Homes; Partners In Building; Jamestown Estate Homes; J. Patrick Homes; Shea Homes; and David Weekley Homes. Prices of new homes being constructed within the District range in price from approximately $575,000 to over $1,500,000, and in size from approximately 3,000 square feet to over 6,500 square feet. |
| Master District Facilities | Sienna Municipal Utility District No. 5 (the "Master District"), in its capacity as the provider of regional water, wastewater, drainage facilities (the "Master District System Facilities"); regional arterial, collector, and thoroughfare roads and improvements in aid thereof (the "Master District Road Facilities"); regional park and recreational facilities; and firefighting facilities necessary to serve the Service Area, which includes the District (collectively referred to herein as the "Master District Facilities"), will construct the Master District Facilities and provide services from those Master District Facilities. Each Participant, including the District, is obligated severally, but not jointly, to make contract payments to the Master District in an amount sufficient to pay its debt service requirements on contract revenue bonds issued by the Master District. The Master District intends to issue $17,000,000 principal amount of contract revenue bonds for Master District System Facilities in October 2025. At the time of delivery of the Bonds, the Master District will have $86,310,000 principal amount of contract revenue bonds outstanding (exclusive of the anticipated bond issue). The Master District also contracts with Sienna Regional Municipal Utility District ("SRMUD") for water supply and wastewater treatment services. SRMUD has issued contract revenue bonds for a permanent wastewater treatment plant to serve land in the Service Area. The payments to SRMUD are part of the contract payments to the Master District. See "MASTER DISTRICT CONTRACT." |
| Strategic Partnership Agreement | The District has entered into a strategic partnership agreement with the City, as amended (the "Agreement"). The Agreement provides, among other things, the terms under which the City can annex or dissolve the District. The City may annex the District but also may maintain the District for limited purposes. Once the District is dissolved, the Bonds become obligations of the City. See "THE BONDS – Annexation by the City." |
| Flood Protection System and Overlapping Districts and Taxes | Sienna Parks & Levee Improvement District of Fort Bend County, Texas ("SPLID"), is the levee improvement district created to provide the levee, detention ponds, external drainage channel, and various interior drainage channels necessary to serve Sienna. SPLID comprises approximately 9,832 acres, of which approximately 8,520 acres are within Sienna (including the Service Area, which includes the District). SPLID finances facilities to accomplish flood protection and accommodate stormwater drainage within SPLID. SPLID currently levies a tax on property located within its |

boundaries, which is in addition to the tax levied by the District. For the 2024 tax year, SPLID levied a total tax rate of $0.4125 per $100 of assessed valuation. At the time of delivery of the Bonds, SPLID will have $201,975,000 principal amount of unlimited tax bonds outstanding. See "TAX DATA – Estimated Overlapping Taxes," "RISK FACTORS – Factors Affecting Taxable Values and Tax Payments," and "THE FLOOD PROTECTION SYSTEM."

## RISK FACTORS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, PARTICULARLY "RISK FACTORS."

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**SELECTED FINANCIAL INFORMATION**

**(UNAUDITED)**

| | | | |
|---|---|---|---|
| 2025 Assessed Valuation (100% of the market valuation as of January 1, 2025) | $ | 43,848,430 | (a) |
| Estimated Assessed Valuation as of July 15, 2025 (100% of the estimated market valuation as of July 15, 2025) | $ | 57,099,436 | (b) |
| Direct Debt: | | | |
| The System Bonds | $ | 1,950,000 | |
| The Road Bonds | $ | 2,000,000 | |
| Total | $ | 3,950,000 | |
| Estimated Overlapping Debt | $ | 5,802,039 | (c) |
| Total Direct and Estimated Overlapping Debt | $ | 9,752,039 | (c) |
| Direct Debt Ratios: | | | |
| As a Percentage of the 2025 Assessed Valuation | | 9.01 | % |
| As a Percentage of the Estimated Assessed Valuation as of July 15, 2025 | | 6.92 | % |
| Direct and Estimated Overlapping Debt Ratios: | | | |
| As a Percentage of the 2025 Assessed Valuation | | 22.24 | % |
| As a Percentage of the Estimated Assessed Valuation as of July 15, 2025 | | 17.08 | % |
| Utility System Debt Service Fund Balance (as of August 19, 2025) | $ | – | (d) |
| Road System Debt Service Fund Balance (as of August 19, 2025) | $ | – | (e) |
| Contract Tax Fund Balance (as of August 19, 2025) | $ | 2,133 | (f) |
| General Operating Fund Balance (as of August 19, 2025) | $ | 12,017 | |

(a) Represents the assessed valuation of all taxable property located within the District as of January 1, 2025, as provided by the Fort Bend Central Appraisal District (the "Appraisal District"). Such amount includes $780,942 of assessed valuation assigned to properties that remain under review by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only, this amount represents an estimate of all taxable property located within the District as of July 15, 2025, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2025, through July 15, 2025. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."

(d) Neither Texas law nor the System Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund (herein defined). Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the Road System, including the Road Bonds. Eighteen (18) months of capitalized interest will be deposited into the Utility System Debt Service Fund upon closing of the System Bonds.

(e) Neither Texas law nor the Road Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund (herein defined). Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the Utility System, including the System Bonds. Eighteen (18) months of capitalized interest will be deposited into the Road System Debt Service Fund upon closing of the Road Bonds.

(f) See "TAX DATA – Contract Tax."

**SELECTED FINANCIAL INFORMATION**

**(UNAUDITED)**

| | | | |
|---|---|---|---|
| 2024 Tax Rate per $100 of Assessed Valuation: | | | |
| Debt Service | | $ – | (a) |
| Maintenance and Operations | | $ 0.710 | |
| Contract | | $ 0.340 | (b) |
| Total | | $ 1.050 | |
| Estimated Average Annual Debt Service Requirement on the Bonds (2026–2050) | $ | 288,579 | (c) |
| Estimated Maximum Annual Debt Service Requirement on the Bonds (2027) | $ | 297,375 | (c) |
| Combined Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay the Estimated Average Annual Debt Service Requirement on the Bonds (2026–2050) at 95% Collections: | | | |
| Based on the 2025 Assessed Valuation | | $ 0.70 | |
| Based on the Estimated Assessed Valuation as of July 15, 2025 | | $ 0.54 | |
| Combined Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay the Estimated Maximum Annual Debt Service Requirement on the Bonds (2027) at 95% Collections: | | | |
| Based on the 2025 Assessed Valuation | | $ 0.72 | |
| Based on the Estimated Assessed Valuation as of July 15, 2025 | | $ 0.55 | |
| Single-Family Homes as of August 1, 2025 | | 34 | (d) |

(a) The District has not yet levied a debt service tax rate for the Utility System or the Road System, and does not expect to for the 2025 tax year. The District is authorized to levy separate taxes to pay debt service for bonds issued for the Utility System and to pay debt service for bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "TAX DATA – Tax Rate Distribution."

(b) The contract tax rate is composed of payments to the Master District for the District's share of debt service for Master District bonds issued for Master District Facilities, including payments to SRMUD for bonds issued for the permanent wastewater treatment plant. See "MASTER DISTRICT CONTRACT."

(c) Debt service on the Bonds is estimated at an interest rate of 5.25%. See "DISTRICT DEBT – Estimated Debt Service Requirement Schedule."

(d) Includes 21 complete and occupied homes, 10 complete and unoccupied homes, and three (3) model homes. See "DEVELOPMENT WITHIN THE DISTRICT."

**SIENNA MUNICIPAL UTILITY DISTRICT NO. 7**

(A political subdivision of the State of Texas, located within Fort Bend County, Texas)

| **$1,950,000** | **$2,000,000** |
|---|---|
| **Unlimited Tax Bonds** | **Unlimited Tax Road Bonds** |
| **Series 2025** | **Series 2025** |

## INTRODUCTION

This Official Statement of Sienna Municipal Utility District No. 7 (the "District") is provided to furnish information with respect to the issuance of the $1,950,000 Sienna Municipal Utility District No. 7 Unlimited Tax Bonds, Series 2025 (the "System Bonds") and the $2,000,000 Sienna Municipal Utility District No. 7 Unlimited Tax Road Bonds, Series 2025 (the "Road Bonds," and together with the System Bonds, the "Bonds").

The System Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"); a resolution of the Board of Directors of the District (the "Board") authorizing the issuance of the System Bonds (the "System Bond Resolution"); Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas ("Texas"), including Chapters 49 and 54 of the Texas Water Code; and an election held within the District on November 3, 2009.

The Road Bonds are issued pursuant to a resolution of the Board authorizing the issuance of the Road Bonds (the "Road Bond Resolution," and together with the System Bond Resolution, the "Bond Resolutions"); Article III, Section 52 of the Texas Constitution; Chapter 8323 of the Special District Local Laws Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code; and an election held within the District on November 3, 2009.

There follows herein descriptions of the Bonds, the Developer (herein defined), the Bond Resolutions, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel (herein defined) at 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs of duplication thereof. Certain capitalized terms used herein have the same meanings assigned to such terms in the Bond Resolutions, except as otherwise indicated herein.

## THE BONDS

### General

The following is a description of some of the terms and conditions of the Bonds, which is qualified in its entirety by reference to the Bond Resolutions adopted by the Board. A copy of the Bond Resolutions may be obtained from the District upon written request made to Bond Counsel at 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The Bonds are dated October 1, 2025, and mature on September 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about October 22, 2025), at the rates set forth on the inside cover, and is payable March 1, 2026, and each September 1 and March 1 thereafter (the "Interest Payment Date") until the earlier of stated maturity or prior redemption. Principal of the Bonds is payable to the Registered Owners (herein defined) at the principal office of the Paying Agent/Registrar (herein defined) upon surrender of the Bonds for payment at the stated maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date"). In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Master District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day preceding the date of mailing of such notice. The Bonds will be issued only in fully registered form in the denomination of $5,000 of principal amount, or any integral multiple thereof.

### Paying Agent/Registrar

The initial paying agent/registrar for the Bonds is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are being issued in fully registered form in integral multiples of $5,000 of principal amount. Interest on the Bonds will be payable semiannually by the Paying Agent/Registrar by check mailed on each Interest Payment Date by the Paying Agent/Registrar to the Registered Owners at the last known address as it appears on the Registrar's books on the Record Date.

**Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system (the "Book-Entry-Only System") has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor (herein defined) believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The District and the Financial Advisor cannot and do not give any assurance that: (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct and Indirect Participants (herein defined), (2) Direct and Indirect 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 Registered Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner discussed herein. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with Direct and Indirect Participants are on file with DTC.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One (1) fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "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 (the "Indirect Participants," and together with the Direct Participants, the "Direct and Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The holder of ownership interest of each actual purchase of each Bond (the "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-Only System is discontinued.

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

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

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

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

Redemption proceeds, principal, and interest 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 Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest 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 Book-Entry-Only System transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in the section concerning DTC and the Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

*Use of Certain Terms in Other Sections of this Official Statement*

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

**Registration, Transfer, and Exchange**

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated offices of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of $5,000 in principal amount for a Bond, or any integral multiple thereof for any one (1) maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 15 calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within 30 calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

**Mutilated, Lost, Stolen, or Destroyed Bonds**

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

**Redemption of the Bonds**

The Bonds maturing on September 1, 2031, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given by the Paying Agent/Registrar at least 30 days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of $5,000 within any one (1) maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

**Successor Paying Agent/Registrar**

Provision is made in the Bond Resolutions for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

**Authority for Issuance**

The System Bonds are issued pursuant to an order of the TCEQ; the System Bond Resolution; Article XVI, Section 59 of the Texas Constitution; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code; and an election held within the District on November 3, 2009.

The Road Bonds are issued pursuant to the Road Bond Resolution; Article III, Section 52 of the Texas Constitution; Chapter 8323 of the Special District Local Laws Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code; and an election held within the District on November 3, 2009.

Before the Bonds are issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained herein.

**Outstanding Bonds**

The Bonds are the first issuances of bonded indebtedness by the District.

**Funds**

The System Bond Resolution creates the District's debt service fund for payment of debt service on the System Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the Utility System (herein defined), or for the purpose of refunding such bonds (the "Utility System Debt Service Fund"). The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the bonds issued by the District for the Utility System, including the System Bonds, and any additional bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District and is to be used only for payment of such bonds. Amounts on deposit in the Utility System Debt Service Fund may also be used for the following, to the extent applicable to the bonds issued by the District for the Utility System, including the System Bonds, and any additional bonds issued by the District for the Utility System: to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of principal of and interest on bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Upon closing of the System Bonds, eighteen (18) months of capitalized interest will be deposited into the Utility System Debt Service Fund. The proceeds from all taxes levied and collected for payment of debt service on bonds issued by the District for the Utility System, including the System Bonds, and any additional bonds issued by the District for the Utility System will also be deposited into the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are available only to pay debt service on the bonds issued by the District for the Utility System, including the System Bonds, and any additional bonds issued by the District for the Utility System and are not available to pay debt service on the bonds issued by the District for the Road System (herein defined), including the Road Bonds, or any additional bonds issued by the District for the Road System.

The Road Bond Resolution creates the District's debt service fund for payment of debt service on the Road Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the Road System, or for the purpose of refunding such bonds (the "Road System Debt Service Fund"). The Road System Debt Service Fund, which constitutes a

trust fund for the benefit of the owners of the bonds issued by the District for the Road System, including the Road Bonds, and any additional bonds issued by the District for the Road System, is to be kept separate from all other funds of the District and is to be used only for payment of such bonds. Amounts on deposit in the Road System Debt Service Fund may also be used for the following, to the extent applicable to the bonds issued by the District for the Road System, including the Road Bonds, and any additional bonds issued by the District for the Road System: to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of principal of and interest on bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Upon closing of the Road Bonds, eighteen (18) months of capitalized interest will be deposited into the Road System Debt Service Fund. The proceeds from all taxes levied and collected for payment of debt service on bonds issued by the District for the Road System, including the Road Bonds, and any additional bonds issued by the District for the Road System will also be deposited into the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are available only to pay debt service on the bonds issued by the District for the Road System, including the Road Bonds, and any additional bonds issued by the District for the Road System and are not available to pay debt service on the bonds issued by the District for the Utility System, including the System Bonds, or any additional bonds issued by the District for the Utility System.

**Source of Payment**

The Bonds are payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. In the Bond Resolutions, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees and the Fort Bend Central Appraisal District (the "Appraisal District") fees. Tax proceeds, after deduction for collection costs, will be placed into the applicable debt service fund and used solely to pay principal of and interest on the Bonds and additional bonds payable from taxes which may be issued, and Paying Agent/Registrar fees.

The Bonds are obligations solely of the District and are not the obligations of Texas; Fort Bend County, Texas (the "County"); the City of Missouri City, Texas (the "City"); or any entity other than the District.

**Issuance of Additional Debt**

The District may issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created. The System Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater, and storm drainage system to serve the District (the "Utility System") and the Road Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a road system to serve the District (the "Road System"). Voters in the District have authorized a total of $271,300,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for the purpose of refunding such bonds, and a total of $156,900,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for the purpose of refunding such bonds. Additionally, voters in the District have authorized a total of $68,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities to serve the District, and for the purpose of refunding such bonds. Following the issuance of the Bonds, $269,350,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for the purpose of refunding such bonds; $154,900,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for the purpose of refunding such bonds; and $68,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities to serve the District, and for the purpose of refunding such bonds, will remain authorized and unissued. The Bond Resolutions impose no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds issued by the District for the purpose of acquiring or constructing the Utility System, such as the System Bonds, or for the purpose of acquiring or constructing park and recreational facilities to serve the District, approved by the TCEQ). The District's issuance of bonds for the purpose of acquiring or constructing the Road System, such as the Road Bonds, is not subject to approval by the TCEQ.

Following the issuance of the Bonds, the District will owe the Developer approximately $16,850,000 for the expenditures advanced to date for the development of the District. In addition, the District may sell park bonds to pay its pro-rata share of Master District Park Facilities (herein defined).

The District is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. The principal amount of park bonds sold by the District is limited to 1% of the District's taxable assessed valuation; however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not greater than 3% of the value of the taxable property in the District. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer (herein defined), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing utility facilities and roads, and to finance the extension of water, wastewater, and storm drainage facilities and services to serve the remaining undeveloped land and road improvements within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE UTILITY SYSTEM," and "RISK FACTORS – Future Debt."

**No Arbitrage**

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

**Defeasance**

The Bond Resolutions provide that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and the redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of Texas a sum of money equal to principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

**Annexation by the City**

Chapter 42, Texas Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city comprises that city's extraterritorial jurisdiction. The size of extraterritorial jurisdiction depends in part on the city's population. For the City, the extraterritorial jurisdiction consists of all the contiguous unincorporated areas, not a part of any other city or any other city's extraterritorial jurisdiction and within two (2) miles of the corporate limits of the City. With certain exceptions, a city may annex territory only within the confines of its extraterritorial jurisdiction. When a city annexes additional territory, the city's extraterritorial jurisdiction expands in conformity with such annexation.

The District lies within the extraterritorial jurisdiction of the City. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (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. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement under Section 43.0751, Texas Local Government Code between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District.

The District and the City entered into a strategic partnership agreement, as amended (the "Agreement"). Pursuant to the Agreement, which sets forth the terms of full purpose annexation, the City will not annex the property in the District until (i) at least 95% of the developable acreage within the District has been developed with water, wastewater, and drainage facilities, and (ii) the Developer has been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement. If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District within 90 days. No representation is made as to whether or not the City will annex the District at any time in the future. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

The Agreement allows for annexation for certain limited purposes, such as the provision of certain municipal services. The Agreement was amended on October 5, 2020, to allow the City to annex the District for the sole purpose of providing fire protection services. The District remains in the City's extraterritorial jurisdiction and is not subject to a City ad valorem tax. See "DEVELOPMENT WITHIN THE DISTRICT."

**Consolidation**

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the Utility System) and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

**Legal Investment and Eligibility to Secure Public Funds in Texas**

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

> (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
>
> (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured interest coupons attached to them.

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

**Registered Owners' Remedies**

Pursuant to Texas law, the Bond Resolutions provide that, in the event the District defaults in the payment of principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolutions into the applicable debt service fund, or defaults in the observance or performance of any of the other covenants, conditions, or obligations set forth in the Bond Resolutions, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations, or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolutions do not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be

relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws and principles relating to sovereign immunity, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

**Use and Distribution of System Bond Proceeds**

Proceeds from the sale of the System Bonds, along with other legally available District funds, will be used to reimburse the Developer for the improvements and related costs shown below. Additionally, proceeds from the sale of the System Bonds will be used to pay: eighteen (18) months of capitalized interest; developer interest; creation and operating costs; and certain other costs associated with the issuance of the System Bonds, as shown below.

Non-construction costs are based upon either contract amounts or various cost estimates by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the Auditor (herein defined).

| CONSTRUCTION COSTS | Total Costs |
|---|---|
| A. Developer Contribution Items | |
| 1. Sienna Section 50B – W, WW, & D | $ 951,609 |
| 2. Summerhouse Lake Drive – W, WW, & D | 80,535 |
| 3. Engineering and Testing (14.06% of Items 1 & 2) | 145,118 |
| 4. SWPPP (5.34% of Items 1 & 2) | 55,120 |
| 5. Environmental Mitigation | 42,000 |
| Total Developer Contribution Items | $ 1,274,382 |
| B. District Items | |
| None | $ – |
| TOTAL CONSTRUCTION COSTS | $ 1,274,382 |

| NON-CONSTRUCTION COSTS | |
|---|---|
| A. Legal Fees | $ 58,500 |
| B. Fiscal Agent Fees | 39,000 |
| C. Interest | |
| 1. Developer Interest | 164,282 |
| 2. Capitalized Interest (18 Months at 5.25%) | 153,563 |
| D. Bond Discount (3%) | 58,500 |
| E. Bond Issuance Expenses | 45,000 |
| F. Bond Application Report Costs | 55,465 |
| G. Market Study | 15,050 |
| H. Creation Expenses | 4,522 |
| I. Operating Advances | 74,911 |
| J. Attorney General Fee (0.10%) | 1,950 |
| K. TCEQ Bond Issuance Fee (0.25%) | 4,875 |
| TOTAL NON-CONSTRUCTION COSTS | $ 675,618 |
| TOTAL BOND ISSUE REQUIREMENT | $ 1,950,000 |

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

*[Remainder of Page Intentionally Left Blank]*

**Use and Distribution of Road Bond Proceeds**

Proceeds from the sale of the Road Bonds will be used to reimburse the Developer for the improvements and related costs shown below. Additionally, proceeds from the sale of the Road Bonds will be used to pay: eighteen (18) months of capitalized interest; developer interest; and certain other costs associated with the issuance of the Road Bonds, as shown below.

Non-construction costs are based upon either contract amounts or various cost estimates by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the Auditor. Totals may not sum due to rounding.

| CONSTRUCTION COSTS | Total Costs |
|---|---|
| A. Sienna Lakes Drive, Owen Bend, & Summerhouse Lake Drive (Clearing) | $ 16,014 |
| B. Sienna Section 50B (Construction, Engineering, & Testing) | 682,198 |
| C. Summerhouse Lake Drive (Construction, Engineering, & Testing) | 643,842 |
| D. Sienna Section 50A (Construction, Engineering, & Testing) | 124,583 |
| TOTAL CONSTRUCTION COSTS | $ 1,466,638 |
| **NON-CONSTRUCTION COSTS** | |
| A. Legal Fees | $ 60,000 |
| B. Fiscal Agent Fees | 40,000 |
| C. Interest | |
| 1. Developer Interest | 139,064 |
| 2. Capitalized Interest (18 Months at 5.25%) | 157,500 |
| D. Bond Discount (3%) | 60,000 |
| E. Bond Issuance Expenses | 30,000 |
| F. Engineering Report Costs | 44,798 |
| G. Attorney General Fee (0.10%) | 2 ,000 |
| TOTAL NON-CONSTRUCTION COSTS | $ 533,362 |
| TOTAL BOND ISSUE REQUIREMENT | $ 2,000,000 |

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

## THE DISTRICT

**Authority**

The District is a municipal utility district created by order of the Texas Water Commission, predecessor to the TCEQ, on October 17, 1979. The creation of the District was confirmed at an election held within the District on November 3, 2009. The rights, powers, privileges, authority, and functions of the District are established by the general laws of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code; Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution; and Chapter 8323 of the Special District Local Laws Code. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of stormwater.

The District is also is authorized to finance road improvements and construct, develop, and maintain park and recreational facilities. In addition, the District, after complying with certain requirements set forth in the Texas Water Code, is authorized to establish, operate, and maintain a fire department, independently or with one (1) or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. The District presently receives fire protection services pursuant to a contract with the City, for which the District pays a monthly fee per house. See "THE UTILITY SYSTEM" and "THE ROAD SYSTEM."

**Description**

The District encompasses approximately 1,029 acres. The District is located in the southeast part of the County, approximately 24 miles southwest of the downtown of the City of Houston, Texas ("Houston"). The District is approximately four (4) miles south of the intersection of the Fort Bend Parkway Toll Road and Sienna Parkway; approximately 11 miles southeast of the intersection of Texas State Highway 6 and U.S. Highway 59; and approximately five (5) miles south of the intersection of Texas State Highway 6 and Sienna Parkway. FM 529 borders the District on the west. The District is west of Sienna Municipal Utility District No. 4 ("SMUD4"). The District is situated entirely within the boundaries of both Fort Bend

Independent School District and SPLID (herein defined). The District also lies wholly within the extraterritorial jurisdiction of the City. See "THE BONDS – Annexation by the City."

The District was originally named "Sienna Plantation Municipal Utility District No. 1" and was renamed "Sienna Plantation Municipal Utility District No. 7" by resolution to the Texas Natural Resource Conservation Commission, predecessor to the TCEQ, submitted December 12, 1996. The District petitioned the TCEQ to change its name from "Sienna Plantation Municipal Utility District No. 7" to "Sienna Municipal Utility District No. 7," and such petition was granted by order of the TCEQ, dated June 29, 2021.

The District, the Master District (herein defined), SMUD4, and Sienna Municipal Utility District No. 6 ("SMUD6") are collectively referred to herein as the "Participants," and collectively comprise of the area referred to herein as the "Service Area," which is part of Sienna (herein defined) and consists of approximately 3,424 acres. SPLID provides major outfall drainage and flood protection for the District. See "THE FLOOD PROTECTION SYSTEM."

**Management of the District**

The District is governed by the Board, consisting of five (5) directors, who have control over and management supervision of all affairs of the District. All of the directors own land within in the District. The directors serve four (4)-year staggered terms. Elections are held in even numbered years in May. The current members and officers of the Board are listed below:

| Name | Title | Term Expires May |
|---|---|---|
| Bob Wempe | President | 2026 |
| Michael Winkler | Vice President | 2026 |
| Carlotta Baird | Secretary | 2028 |
| Matthew Brollier | Assistant Vice President | 2028 |
| Nikki-Jean Owen | Assistant Secretary | 2026 |

**Investment Policy**

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and Texas CLASS, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

**Consultants**

Although the District does not have a general manager or any other full-time employees, it has contracted for utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, financial advisory, and legal services as follows:

***Tax Assessor/Collector***

The District's Tax Assessor/Collector is Ms. Esther Flores of Tax Tech, Inc., Houston, Texas (the "Tax Assessor/Collector"). The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Appraisal District and bills and collects such levy.

***Bookkeeper***

The District's bookkeeper is Municipal Accounts & Consulting, L.P., Houston, Texas.

***Utility System Operator***

The District's operator is Si Environmental, LLC., Houston, Texas.

***Auditor***

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which are filed with the TCEQ. The District's audited financial statements for the fiscal year ended July 31, 2024, were audited by McGrath & Co., PLLC, Houston, Texas (the "Auditor"), and are attached hereto as "APPENDIX B." The District's audited financial statements for the fiscal year ended July 31, 2025, are currently being prepared by the Auditor.

***Engineer***

The consulting engineer for the District in connection with the design and construction of the water, wastewater, and storm drainage facilities and the road facilities for which a portion of the Bonds are being sold to reimburse the Developer is LJA, Inc., Houston, Texas (the "Engineer"). The Engineer has also been employed by the Developer in connection with certain planning activities and the design of certain streets and related improvements within the District.

***Bond & General Counsel***

The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as bond counsel ("Bond Counsel) in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the issuance and delivery of the Bonds. Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as general counsel to the District on matters other than the issuance of bonds.

***Disclosure Counsel***

Orrick, Herrington & Sutcliffe LLP, Houston, Texas, has been designated as disclosure counsel ("Disclosure Counsel"). The fees of Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

***Financial Advisor***

Robert W. Baird & Co. Incorporated, Houston, Texas, is employed as financial advisor (the "Financial Advisor") to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information herein.

## DEVELOPMENT WITHIN THE DISTRICT

To date, approximately 105.6 acres (151 lots) within the District have been developed as the single-family residential subdivision of Sienna, Sections 50A, 50B, 50C, and 51A. As of August 1, 2025, 34 homes were complete (21 occupied, 10 unoccupied, and three (3) models), eight (8) homes were under construction, and 109 lots were developed and vacant. Approximately 87.1 acres (224 lots) are currently under development as the single-family residential subdivision of Sienna, Sections 51B, 76, 81, and 83. The remaining land within the District includes approximately 788.8 undeveloped but developable acres and approximately 47.5 undevelopable acres.

## HOMEBUILDERS ACTIVE WITHIN THE DISTRICT

Homebuilders active within the District include Toll Brothers; Perry Homes; Partners In Building; Jamestown Estate Homes; J. Patrick Homes; Shea Homes; and David Weekley Homes. Prices of new homes being constructed within the District range in price from approximately $575,000 to over $1,500,000, and in size from approximately 3,000 square feet to over 6,500 square feet.

## DESCRIPTION OF THE DEVELOPER

### Role of a Developer

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

### Description of the Developer

The developer of land within the District is Toll-GTIS Property Owner, LLC (the "Developer"), which is a joint venture between Toll Brothers, Inc. ("Toll Brothers") and GTIS Partners ("GTIS"). Johnson SS Management LLC, an affiliate of Johnson Development Corp. ("JDC"), has been hired as fee developer for the Developer. The Developer purchased the land in the Service Area, which includes the District, in December of 2013. Toll Brothers is a publicly traded corporation whose stock is listed on the New York Stock Exchange as "TOL." Audited financial statements for Toll Brothers can be found online

at www.tollbrothers.com/investor_relations. Toll Brothers is subject to the information requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with SEC. Reports, proxy statements and other information filed by Toll Brothers can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at http://www.sec.gov that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC. GTIS is a real estate private equity firm located in New York, NY. GTIS was founded in 2005 and has approximately $3.2 billion in assets under management. GTIS has invested in residential, retail, industrial, office, hotel, and mixed-use projects in the United States and Brazil.

Neither Toll Brothers nor GTIS is legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations of the Developer. Further, neither the Developer, Toll Brothers nor GTIS is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer, Toll Brothers nor GTIS has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer, Toll Brothers, and GTIS is subject to change at any time.

Certain financial information concerning the Developer is attached hereto as "APPENDIX C." Neither Toll Brothers nor GTIS is legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations of the Developer. Further, neither the Developer, Toll Brothers, nor GTIS is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer, Toll Brothers, nor GTIS has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer, Toll Brothers, and GTIS is subject to change at any time.

## SIENNA

### Description of Project

In December 2013, the Developer purchased approximately 3,800 acres within the southern region of the approximately 10,230-acre master planned community known as "Sienna." The Developer's property (the "Toll Brothers Development") encompasses the Service Area, which includes the District. An affiliate of JDC has been hired as fee developer for the Developer. Development and homebuilding are currently underway in the Toll Brothers Development.

In addition to the Toll Brothers Development, JDC, through several partnerships, has acquired and developed approximately 4,500 acres within the northern region of Sienna (the "JDC Development"). This area includes three (3) internal municipal utility districts (previously four (4), before Sienna Municipal Utility District No. 2 ("SMUD2") was annexed and dissolved by the City) and a management district, as well as an approximate 214-acre rural estate subdivision known as "The Woods at Sienna."

Sienna Regional Municipal Utility District (the "SRMUD") is the municipal utility district providing the water supply and wastewater treatment facilities, as well as the regional water distribution, regional wastewater treatment plant, regional wastewater collection trunk lines, and regional stormwater collection trunk lines necessary to serve Sienna.

SPLID encompasses approximately 9,832 acres, approximately 8,520 of which are within Sienna (including the Service Area, which includes the District).

According to JDC, which has developed the JDC Development and manages the development of the Toll Brothers Development on behalf of the Developer, the ultimate land use within Sienna is currently projected to consist of: approximately 15,725 single-family residential lots; approximately 2,720 multi-family units; approximately 1,150 retirement residential units; approximately 300 rural estate residential units; and approximately 1,105 acres used for the development of commercial mixed-use projects. The remaining ultimate land use within Sienna is currently projected to consist of: multiple primary and secondary schools; multiple churches; an information center; an 18-hole golf course; a clubhouse; multiple water theme parks; swimming and tennis facilities; an amphitheater; drainage, levee, and utility easements; street rights-of-way; and multiple open spaces, lakes, parks, recreational facilities, and greenbelts.

To date, development within Sienna has occurred primarily within SMUD2 (which was annexed by the City effective August 21, 2023, and was dissolved by the City effective December 19, 2023); Sienna Municipal Utility District No. 3 ("SMUD3"); SMUD4; SMUD6; Sienna Municipal Utility District No. 10 ("SMUD10"); Sienna Municipal Utility District No. 12 ("SMUD12"); Sienna Management District ("SMD"); The Woods at Sienna; and the District. As of August 1, 2025, single-family residential development within Sienna was comprised of approximately 12,256 completed homes; approximately 172 homes under

construction; approximately 608 vacant and developed lots; approximately 234 lots under development; and 104 rural estate lots (containing completed homes) in The Woods at Sienna.

The District's tax is levied only on the property located within the District. Therefore, the investment security and quality of the Bonds is dependent upon the successful development of property located within the District, and the payment and collection of taxes levied thereon. Neither the faith and credit nor the taxing power of any of the internal districts comprising Sienna, other than the District, is pledged to the payment of any obligation of the District, including the Bonds. Development within the District is discussed under "DEVELOPMENT WITHIN THE DISTRICT." See "RISK FACTORS" and "SIENNA – Development Agreement."

**Development Agreement**

A prior owner of land within the District entered into the Eighth Amendment to the Sienna Plantation Joint Development Agreement with the City on July 15, 2013 (the "Eighth Amendment"). The Eighth Amendment modifies the terms of the original Sienna Plantation Joint Development Agreement (entered into in February 19, 1996) as it pertains to the land now owned by the Developer (referred to in the Eighth Amendment as "Tract B" but referred to herein as the Service Area, which includes the District); and clarifies that unless expressly set forth in the Eighth Amendment, none of the terms of the preceding seven (7) amendments are applicable to the development of the Service Area. Thus, the original Sienna Plantation Joint Development Agreement, as amended by the Eighth Amendment (collectively referred to herein as the "Development Agreement"), are the only terms that remain in full force and effect as to the Developer's development of land in the Service Area.

The Development Agreement was assigned to the Developer on December 10, 2013, and the Developer is developing the Service Area pursuant to the terms of the Development Agreement. The Development Agreement stipulates the City's regulatory authority over the development of the Service Area, establishes certain restrictions and commitments related to the development of the Service Area, sets forth detailed design and construction standards, stipulates a formula for determining the timing of annexations of land within the Service Area by the City, sets forth utility development standards, and identifies and establishes a master plan for the development of the Service Area. The Development Agreement limits the number of residential units within the Service Area to 10,000, with no more than 220 acres of commercial development. Any material deviation from the terms of the Development Agreement by the Developer may be considered a breach of the Development Agreement by the Developer and may adversely affect development of the Service Area.

In the Development Agreement, the City agrees not to annex the property in a Participant, including the District, before such time as (i) at least 95% of the developable acreage within the Participant has been developed with water, wastewater treatment, and drainage facilities; and (ii) the Developer has been reimbursed to the maximum extent permitted by the rules of the TCEQ, or the City assumes any obligation for such reimbursement. In addition, the Development Agreement permits, upon the City's sole discretion, for the existence of limited districts after annexation for the limited purposes of, among other things, making payments for the debt service requirements of the Master District, or maintaining any facilities not accepted by the City.

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**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**
**(August 2025)**

**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**
**(August 2025)**

## DISTRICT DEBT

### Estimated Debt Service Requirement Schedule

The following schedule sets forth the principal and estimated interest requirements on the Bonds, assuming the Bonds are issued at an interest rate of 5.25%. Totals may not sum due to rounding.

| | The System Bonds | | | The Road Bonds | | | |
|---|---|---|---|---|---|---|---|
| Year | Principal | Interest | Total Debt Service | Principal | Interest | Total Debt Service | Total Debt Service |
| 2026 | $ – | $ 87,872 | $ 87,872 | $ – | $ 90,125 | $ 90,125 | $ 177,997 |
| 2027 | 45,000 | 102,375 | 147,375 | 45,000 | 105,000 | 150,000 | 297,375 |
| 2028 | 45,000 | 100,013 | 145,013 | 45,000 | 102,638 | 147,638 | 292,650 |
| 2029 | 45,000 | 97,650 | 142,650 | 50,000 | 100,275 | 150,275 | 292,925 |
| 2030 | 50,000 | 95,288 | 145,288 | 50,000 | 97,650 | 147,650 | 292,938 |
| 2031 | 50,000 | 92,663 | 142,663 | 55,000 | 95,025 | 150,025 | 292,688 |
| 2032 | 55,000 | 90,038 | 145,038 | 55,000 | 92,138 | 147,138 | 292,175 |
| 2033 | 60,000 | 87,150 | 147,150 | 60,000 | 89,250 | 149,250 | 296,400 |
| 2034 | 60,000 | 84,000 | 144,000 | 60,000 | 86,100 | 146,100 | 290,100 |
| 2035 | 65,000 | 80,850 | 145,850 | 65,000 | 82,950 | 147,950 | 293,800 |
| 2036 | 65,000 | 77,438 | 142,438 | 70,000 | 79,538 | 149,538 | 291,975 |
| 2037 | 70,000 | 74,025 | 144,025 | 70,000 | 75,863 | 145,863 | 289,888 |
| 2038 | 75,000 | 70,350 | 145,350 | 75,000 | 72,188 | 147,188 | 292,538 |
| 2039 | 80,000 | 66,413 | 146,413 | 80,000 | 68,250 | 148,250 | 294,663 |
| 2040 | 85,000 | 62,213 | 147,213 | 85,000 | 64,050 | 149,050 | 296,263 |
| 2041 | 85,000 | 57,750 | 142,750 | 90,000 | 59,588 | 149,588 | 292,338 |
| 2042 | 90,000 | 53,288 | 143,288 | 95,000 | 54,863 | 149,863 | 293,150 |
| 2043 | 95,000 | 48,563 | 143,563 | 100,000 | 49,875 | 149,875 | 293,438 |
| 2044 | 100,000 | 43,575 | 143,575 | 105,000 | 44,625 | 149,625 | 293,200 |
| 2045 | 105,000 | 38,325 | 143,325 | 110,000 | 39,113 | 149,113 | 292,438 |
| 2046 | 110,000 | 32,813 | 142,813 | 115,000 | 33,338 | 148,338 | 291,150 |
| 2047 | 120,000 | 27,038 | 147,038 | 120,000 | 27,300 | 147,300 | 294,338 |
| 2048 | 125,000 | 20,738 | 145,738 | 125,000 | 21,000 | 146,000 | 291,738 |
| 2049 | 130,000 | 14,175 | 144,175 | 135,000 | 14,438 | 149,438 | 293,613 |
| 2050 | 140,000 | 7,350 | 147,350 | 140,000 | 7,350 | 147,350 | 294,700 |
| Total | $ 1,950,000 | $ 1,611,947 | $ 3,561,947 | $ 2,000,000 | $ 1,652,525 | $ 3,652,525 | $ 7,214,472 |

Estimated Average Annual Debt Service Requirement on the Bonds (2026–2050) ..... $ 288,579

Estimated Maximum Annual Debt Service Requirement on the Bonds (2027) ..... $ 297,375

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**Selected Financial Information**

| | | | |
|---|---|---|---|
| 2025 Assessed Valuation (100% of the market valuation as of January 1, 2025) | $ | 43,848,430 | (a) |
| Estimated Assessed Valuation as of July 15, 2025 (100% of the estimated market valuation as of July 15, 2025) | $ | 57,099,436 | (b) |
| Direct Debt: | | | |
| The System Bonds | $ | 1,950,000 | |
| The Road Bonds | $ | 2,000,000 | |
| Total | $ | 3,950,000 | |
| Estimated Overlapping Debt | $ | 5,802,039 | (c) |
| Total Direct and Estimated Overlapping Debt | $ | 9,752,039 | (c) |
| Direct Debt Ratios: | | | |
| As a Percentage of the 2025 Assessed Valuation | | 9.01 | % |
| As a Percentage of the Estimated Assessed Valuation as of July 15, 2025 | | 6.92 | % |
| Direct and Estimated Overlapping Debt Ratios: | | | |
| As a Percentage of the 2025 Assessed Valuation | | 22.24 | % |
| As a Percentage of the Estimated Assessed Valuation as of July 15, 2025 | | 17.08 | % |
| Utility System Debt Service Fund Balance (as of August 19, 2025) | $ | – | (d) |
| Road System Debt Service Fund Balance (as of August 19, 2025) | $ | – | (e) |
| Contract Tax Fund Balance (as of August 19, 2025) | $ | 2,133 | (f) |
| General Operating Fund Balance (as of August 19, 2025) | $ | 12,017 | |

(a) Represents the assessed valuation of all taxable property located within the District as of January 1, 2025, as provided by the Appraisal District. Such amount includes $780,942 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board (herein defined). Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only, this amount represents an estimate of all taxable property located within the District as of July 15, 2025, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2025, through July 15, 2025. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."

(d) Neither Texas law nor the System Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the Road System, including the Road Bonds. Eighteen (18) months of capitalized interest will be deposited into the Utility System Debt Service Fund upon closing of the System Bonds.

(e) Neither Texas law nor the Road Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the Utility System, including the System Bonds. Eighteen (18) months of capitalized interest will be deposited into the Road System Debt Service Fund upon closing of the Road Bonds.

(f) See "TAX DATA – Contract Tax."

| | | | |
|---|---|---|---|
| 2024 Tax Rate per $100 of Assessed Valuation: | | | |
| Debt Service | | $ – | (a) |
| Maintenance and Operations | | $ 0.710 | |
| Contract | | $ 0.340 | (b) |
| Total | | $ 1.050 | |
| Estimated Average Annual Debt Service Requirement on the Bonds (2026–2050) | $ | 288,579 | (c) |
| Estimated Maximum Annual Debt Service Requirement on the Bonds (2027) | $ | 297,375 | (c) |
| Combined Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay the Estimated Average Annual Debt Service Requirement on the Bonds (2026–2050) at 95% Collections: | | | |
| Based on the 2025 Assessed Valuation | | $ 0.70 | |
| Based on the Estimated Assessed Valuation as of July 15, 2025 | | $ 0.54 | |
| Combined Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay the Estimated Maximum Annual Debt Service Requirement on the Bonds (2027) at 95% Collections: | | | |
| Based on the 2025 Assessed Valuation | | $ 0.72 | |
| Based on the Estimated Assessed Valuation as of July 15, 2025 | | $ 0.55 | |
| Single-Family Homes as of August 1, 2025 | | 34 | (d) |

(a) The District has not yet levied a debt service tax rate for the Utility System or the Road System, and does not expect to for the 2025 tax year. The District is authorized to levy separate taxes to pay debt service for bonds issued for the Utility System and to pay debt service for bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "TAX DATA – Tax Rate Distribution."

(b) The contract tax rate is composed of payments to the Master District for the District's share of debt service for Master District bonds issued for Master District Facilities, including payments to SRMUD for bonds issued for the permanent wastewater treatment plant. See "MASTER DISTRICT CONTRACT."

(c) Debt service on the Bonds is estimated at an interest rate of 5.25%. See "DISTRICT DEBT – Estimated Debt Service Requirement Schedule."

(d) Includes 21 complete and occupied homes, 10 complete and unoccupied homes, and three (3) model homes. See "DEVELOPMENT WITHIN THE DISTRICT."

**Unlimited Tax Bonds Authorized but Unissued**

| Date of Authorization | Purpose | Amount Authorized | Amount Issued to Date | Remaining Unissued |
|---|---|---|---|---|
| 11/03/2009 | Utility System and Refunding | $ 271,300,000 | $ 1,950,000 (a) | $ 269,350,000 |
| 11/03/2009 | Road System and Refunding | 156,900,000 | 2,000,000 (b) | 154,900,000 |
| 11/03/2009 | Park/Recreation and Refunding | 68,500,000 | – | 68,500,000 |

(a) Includes the System Bonds.

(b) Includes the Road Bonds.

**Estimated Direct and Overlapping Debt Statement**

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

| | Outstanding Debt | Overlapping | |
|---|---|---|---|
| Taxing Jurisdiction | July 31, 2025 | Percent | Amount |
| The County | $ 1,043,973,859 | 0.03% | $ 354,392 |
| Fort Bend County Drainage District | 21,645,000 | 0.03% | 7,399 |
| Fort Bend Independent School District | 1,926,445,000 | 0.08% | 1,525,782 |
| SPLID | 211,755,000 | 0.58% | 1,224,743 |
| The Master District (a) | 115,615,000 | 2.33% | 2,689,724 |
| Total Estimated Overlapping Debt | | | $ 5,802,039 |
| The District (b) | | | $ 3,950,000 |
| Total Direct & Estimated Overlapping Debt (b) | | | $ 9,752,039 |

(a) The Master District plans to issue $17,000,000 principal amount of unlimited tax bonds in October 2025. Such bonds are included in the Master District's outstanding debt amount. See "MASTER DISTRICT CONTRACT" and "MASTER DISTRICT CONTRACT WITH SRMUD."
(b) Includes the Bonds.

**Debt Ratios**

| | |
|---|---|
| Direct Debt Ratios (a): | |
| As a Percentage of the 2025 Assessed Valuation | 9.01 % |
| As a Percentage of the Estimated Assessed Valuation as of July 15, 2025 | 6.92 % |
| Direct and Estimated Overlapping Debt Ratios (a)(b): | |
| As a Percentage of the 2025 Assessed Valuation | 22.24 % |
| As a Percentage of the Estimated Assessed Valuation as of July 15, 2025 | 17.08 % |

(a) Includes the Bonds.
(b) See "MASTER DISTRICT CONTRACT" and "MASTER DISTRICT CONTRACT WITH SRMUD."

## TAXING PROCEDURES

**Authority to Levy Taxes**

The Board is authorized to levy two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District in sufficient amount to pay principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. See "RISK FACTORS – Future Debt." The District agrees in the Bond Resolutions to levy such a tax from year to year as discussed under "THE BONDS – Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the Utility System, and for the payment of certain contractual obligations. See "TAX DATA – Maintenance Tax," "TAX DATA – Contract Tax," and "MASTER DISTRICT CONTRACT."

**Property Tax Code and County-Wide Appraisal District**

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of Texas. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility of appraising property for all taxing units within the County. Such

appraisal values will be subject to review and change by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate. See "TAXING PROCEDURES – Valuation of Property for Taxation."

**Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. For the 2025 tax year, the District did not grant an exemption for persons over 65 years of age and for disabled persons.

***Residential Homestead Exemptions*:** The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to 20% of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. The District has never adopted a homestead exemption. See "TAX DATA – Exemptions."

***Freeport Goods and Goods-in-Transit Exemption*:** A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent

years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one (1) or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

**Tax Abatement**

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. As of September 1, 1999, each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, the County has not designated any part of the area within the District as a reinvestment zone.

**Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property.

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

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the Governor of Texas (the "Governor"). 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.

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the District. On August 15, 2025, the Governor called the Second Special Session, which began on August 15, 2025, and concluded on September 4, 2025. No Third Special Session has been called at this time. The District can make no representation regarding any actions the Texas Legislature may take or the effect of such actions.

**District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

**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, 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 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 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 by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of taxes, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

**Tax Payment Installments After Disaster**

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the District, if the taxpayer pays at least 1/4th of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three (3) equal installments within six (6) months of the delinquency date.

Additionally, the Property Tax Code authorizes a taxing jurisdiction, such as the District, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

**Rollback of Operation and Maintenance Tax Rate**

Chapter 49 of the Texas Water Code classifies districts differently based on the current maintenance and operations tax rate or on the percentage of build-out that the District has completed. Districts that have adopted a maintenance and operations tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified as "Special Taxing

Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

*Special Taxing Units*

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

*Developed Districts*

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

*Developing Districts*

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

*The District*

For the 2025 tax year, the District has designated itself as a Developing District. For future years, a determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

**District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of Texas and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims 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 federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

## TAX DATA

### General

All taxable property within the District is subject to the assessment, levy, and collection by the District of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES." The Board has in its Bond Resolutions covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay principal of and interest on the Bonds. See "THE BONDS" and " RISK FACTORS." For the 2024 tax year, the District levied a total tax rate of $1.050 per $100 of assessed valuation made up of the following: a tax rate of $0.710 per $100 of assessed valuation for maintenance and operation purposes and a tax rate of $0.340 per $100 of assessed valuation for payment of the District's contractual obligation to pay costs of the Master District Facilities.

### Tax Rate Limitation

| | |
|---|---|
| Utility System Debt Service: | Unlimited (no legal limit as to rate or amount). |
| Road System Debt Service: | Unlimited (no legal limit as to rate or amount). |
| Maintenance and Operations: | $1.50 per $100 assessed valuation. |
| Maintenance and Operations (Road): | $0.25 per $100 assessed valuation. |
| Contract: | Unlimited (no legal limit as to rate or amount). |

### Debt Service Tax

The Board covenants in the Bond Resolutions to levy and assess, for each year that all of or any part of the Bonds remain outstanding and unpaid, taxes adequate to provide funds to pay the principal of and interest on the Bonds.

In the System Bond Resolution, the Board also covenants to deposit into the Utility System Debt Service Fund the proceeds from all taxes levied, appraised, and collected for payment of the System Bonds authorized by the System Bond Resolution. Proceeds from the sale of the System Bonds will be deposited into the capital projects fund for the bonds issued for the Utility System (the "Utility System Capital Projects Fund") upon closing of the System Bonds to be used for the purpose of reimbursing the Developer for certain construction costs and for paying the costs of issuance of the System Bonds. Any monies remaining in the Utility System Capital Projects Fund after completion of construction of the Utility System will be used as permitted by the System Bond Resolution or ultimately transferred to the Utility System Debt Service Fund.

In the Road Bond Resolution, the Board also covenants to deposit into the Road System Debt Service Fund the proceeds from all taxes levied, appraised, and collected for payment of the Road Bonds authorized by the Road Bond Resolution. Proceeds of the Road Bonds will be deposited into the capital projects fund for the bonds issued for the Road System (the "Road System Capital Projects Fund") upon closing of the Road Bonds to be used for the purpose of reimbursing the Developer for certain construction costs and for paying the costs of issuance of the Road Bonds. Any monies remaining in the Road System Capital Projects Fund after completion of construction of the Road System will be used as permitted by the Road Bond Resolution or ultimately transferred to the Road System Debt Service Fund.

### Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance and operations tax is authorized by vote of the District's electors. On November 3, 2009, the Board was authorized by a vote of the District's electors to levy such maintenance and operations tax in an amount not to exceed $1.50 per $100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future.

For the 2024 tax year, the District levied a tax rate of $0.710 per $100 of assessed valuation for maintenance and operation purposes.

### Contract Tax

The District's obligation to pay its share of the costs of constructing and operating the Master District Facilities is secured by the unlimited taxing power of the District. See "MASTER DISTRICT CONTRACT."

For the 2024 tax year, the District levied a tax rate of $0.340 per $100 of assessed valuation for payment of the District's contractual obligation to pay costs of the Master District Facilities.

### Exemptions

To date, the District has not granted any optional exemptions. See "TAXING PROCEDURES."

### Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of 20% of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year,

and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Property Tax Code.

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the combined debt service tax rates per $100 of assessed valuation which would be required to meet certain debt service requirements on the Bonds if no growth in the District's tax base occurs beyond the assessed valuation as of January 1, 2025 ($43,848,430), or the estimated assessed valuation as of July 15, 2025 ($57,099,436). The calculations assume collection of 95% of taxes levied and the sale of no additional bonds by the District.

| | |
|---|---|
| Estimated Average Annual Debt Service Requirement (2026–2050) | $ 288,579 |
| Tax Rate of $0.70 on the 2025 Assessed Valuation Produces | $ 291,592 |
| Tax Rate of $0.54 on the Estimated Assessed Valuation as of July 15, 2025, Produces | $ 292,920 |
| Estimated Maximum Annual Debt Service Requirement (2027) | $ 297,375 |
| Tax Rate of $0.72 on the 2025 Assessed Valuation Produces | $ 299,923 |
| Tax Rate of $0.55 on the Estimated Assessed Valuation as of July 15, 2025, Produces | $ 298,345 |

**Estimated Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes. See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."

Set forth below is an estimation of all taxes per $100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions, or any other charges made by entities other than political subdivisions. The following chart includes the 2024 taxes per $100 of assessed valuation levied by all such taxing jurisdictions.

| Taxing Jurisdiction | 2024 Tax Rate per $100 of Assessed Valuation |
|---|---|
| The District | $ 1.050000 |
| The County | 0.412000 |
| Fort Bend County Drainage District | 0.010000 |
| Fort Bend Independent School District | 0.986900 |
| SPLID | 0.412500 |
| Total Tax Rate | $ 2.871400 |

*[Remainder of Page Intentionally Left Blank]*

**Assessed Valuation Summary**

The following represents the type of property comprising the District's 2022-2025 tax rolls, as certified by the Appraisal District.

| Type of Property | 2025 Assessed Valuation (a) | 2024 Assessed Valuation | 2023 Assessed Valuation | 2022 Assessed Valuation |
|---|---|---|---|---|
| Land | $ 33,636,675 | $ 35,880,821 | $ 14,978,290 | $ 14,844,797 |
| Improvements | 10,349,067 | (4,617,407) | – | – |
| Personal Property | 150,367 | 73,785 | 180,186 | 123,600 |
| Exemptions | (1,068,621) | (1,319,071) | (453,698) | (163,001) |
| Total | $ 43,067,488 | $ 30,018,128 | $ 14,704,778 | $ 14,805,396 |

(a) Such amounts do not include $780,942 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax. See "TAXING PROCEDURES."

**Historical Collections**

The following represents the historical tax collections for the District's 2023-2024 tax years.

| Tax Year | Assessed Valuation | Tax Rate (a) | Adjusted Levy | Collections Current Year | Current Year Ended 09/30 | Collections 07/31/2025 |
|---|---|---|---|---|---|---|
| 2023 | $ 14,704,778 | $ 1.05 | $ 154,400 | 100.00 % | 2024 | 100.00 % |
| 2024 | 30,018,128 | 1.05 | 315,190 | 99.83 % (b) | 2025 | 99.83 % (b) |

(a) Total tax rate per $100 of assessed valuation for each respective tax year. See "TAX DATA – Tax Rate Distribution."
(b) In process of collections.

**Tax Rate Distribution**

The following represents the components of the tax rate for the District's 2023-2024 tax years.

| | 2024 | 2023 |
|---|---|---|
| Maintenance and Operations | $ 0.710 | $ 1.050 |
| Contract (a) | 0.340 | 0.000 |
| Total | $ 1.050 | $ 1.050 |

(a) See "MASTER DISTRICT CONTRACT" and "MASTER DISTRICT CONTRACT WITH SRMUD."

**Principal Taxpayers**

The following represents the principal taxpayers on the District's 2025 tax roll, as certified by the Appraisal District.

| Taxpayer | Assessed Valuation 2025 Tax Roll |
|---|---|
| TOLL-GTIS PROPERTY OWNER LLC (a) | $ 30,297,977 |
| PERRY HOMES LLC (b) | 3,224,943 |
| PARTNERS IN BUILDING LP (b) | 2,703,418 |
| JAMESTOWN ESTATE HOMES LP (b) | 1,950,045 |
| HOMEOWNER | 915,366 |
| HOMEOWNER | 903,466 |
| HOMEOWNER | 803,883 |
| HOMEOWNER | 696,105 |
| HOMEOWNER | 566,905 |
| HOMEOWNER | 376,995 |
| Total | $ 42,439,103 |
| | |
| Percent of Respective Tax Roll (Certified) | 98.54 % |

(a) See "DESCRIPTION OF THE DEVELOPER."
(b) See "HOMEBUILDERS ACTIVE WITHIN THE DISTRICT."

## THE UTILITY SYSTEM

**General**

The internal water distribution, wastewater collection and stormwater facilities are being provided by the District. Water supply and wastewater treatment, and associated wastewater reuse facilities, are being provided and financed by the Master District but owned and operated by SRMUD through contractual agreement. SPLID provides major outfall drainage and flood protection for the District. See "THE FLOOD PROTECTION SYSTEM." Flood protection facilities may also be provided by the Master District.

**Regulation**

Sienna Parks & Levee Improvement District of Fort Bend County, Texas ("SPLID"), provides flood protection to Sienna with levees, flood plain reclamation (fill), detention, internal and outfall drainage facilities, and pump stations (the "Flood Protection System"). Construction and operation of the Utility System and the Flood Protection System as they now exist or as it may be expanded from time to time is subject to the regulatory jurisdiction of several federal, state, and local authorities. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage and stormwater runoff is subject to the regulatory authority of the TCEQ and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the County, and, in some instances, SPLID, the TCEQ and the U.S. Army Corps of Engineers. The City and the County also exercise regulatory jurisdiction over the Utility System.

**Water Supply**

The District's source of water supply is surface water from the City through SRMUD. Pursuant to the Groundwater Reduction Plan, of which SRMUD is a participant, the City has become the permitted entity for water supply. The City owns and operates a 20,000,000 gallons per day ("gpd") surface water plant located within Sienna. In addition, the SRMUD has an emergency interconnect with the City.

SRMUD owns and operates Sienna Water Plant Nos. 1, 2, and 3, which currently consist of five (5) wells totaling 5,900 gallons per minute ("gpm"), 4,412,000 gallons of ground water storage tank capacity, 320,000 gallons of hydropneumatic tank capacity, 30,257 gpm of booster pump capacity, an auxiliary diesel-powered generator at each site, and related appurtenances. Currently, such plants are rated to serve 17,021 equivalent single-family residential connections ("ESFCs"). As of August 2025, SRMUD was serving approximately 13,753 active ESFCs, which is sufficient to serve the Service Area. However, future expansions to the water supply system will be necessary to serve the ultimate build-out of Sienna. SRMUD also provides water supply to The Woods at Sienna.

**Wastewater Treatment**

Currently, Sienna is split into two (2) wastewater treatment regions, the North and South regions. SRMUD provides wastewater treatment to both regions. The District is located in the South region.

To serve the South region, SRMUD owns and operates a 1,800,000 gpd wastewater treatment plant ("WWTP"). The plant is currently treating flows of approximately 1,746,000 gpd, approximately 97% of its permitted flow. There is approximately

54,000 gpd of available permitted treatment capacity at the plant, which represents approximately seven (7) months of development at the current pace. A 600,000 gpd expansion is underway and is approximately 96% complete.

In May 2018, SRMUD issued $25,010,000 principal amount of contract revenue bonds through the Texas Water Development Board for the construction of permanent wastewater capacity to serve Sienna. The Participants, including the District, pursuant to the Master District Contract (herein defined), are responsible for their pro rata share of such bonds. Of the $25,010,000 principal amount issued, $12,695,000 principal amount is attributable to the Master District (on behalf of the Participants), of which the District is contractually obligated to pay its pro rata share of the annual debt service. At the time of delivery of the Bonds, $12,305,000 principal amount of the Master District's obligation will remain outstanding. SRMUD is currently constructing a 600,000 gpd expansion to the plant, which is expected to be completed by the end of 2025. See "MASTER DISTRICT CONTRACT."

The North region is served by the City's Steep Bank/Flat Bank WWTP. The Master District owns 1.5 million gallons per day of capacity in the plant which is sufficient for full development of the North region.

**Operation of the SRMUD System**

SRMUD funds the operations of its system through monthly charges to its participants ("Monthly Connection Charge"). The Monthly Connection Charge is currently $25.00 per active ESFC per month. If SRMUD experiences an increase in operating costs, the Monthly Connection Charge may be increased.

Further, SRMUD has adopted a long-term capital improvement plan, which is funded through a renewal and replacement fee of $0.40 per 1,000 gallons pumped. If SRMUD experiences an unforeseen equipment failure in its system, and the renewal and replacement fund is not sufficient to cover the cost, SRMUD may be require that its participants, including the District, fund the repairs.

**Fire Protection**

Pursuant to a contract between the District and the City, fire protection to residents of the District is provided by the Missouri City Fire Department from an 8,400 square foot fire station located on Sienna Parkway. A second 7,700 square foot fire station has been constructed and is located along Waters Lake Boulevard. Residents of the District currently pay $28.50 per month for fiscal year 2026 for fire protection from the City.

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**Historical Operations of the Utility System**

The following is a schedule of revenues and expenditures associated with operations of the Utility System. The figures below for the fiscal years ended July 31, 2020, through July 31, 2024, were obtained from the District's audited financial statements for the fiscal year ended July 31, 2024, a copy of which is attached hereto as "APPENDIX B" and reference to which is hereby made. As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which are filed with the TCEQ.

| | 2024 | 2023 (a) | 2022 (a) | 2021 (a) | 2020 (a) |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Water service | $ 2,933 | $ – | $ – | $ – | $ – |
| Sewer service | 1,219 | – | – | – | – |
| Property taxes | 157,235 | – | – | – | – |
| Penalties and interest | 180 | – | – | – | – |
| Surface water fees | 2,546 | – | – | – | – |
| Tap connection and inspection | 16,525 | – | – | – | – |
| Investment earnings | – | 461 | – | 18 | 53 |
| Total Revenues | $ 180,638 | $ 461 | $ – | $ 18 | $ 53 |
| | | | | | |
| Expenditures | | | | | |
| Current service operations | | | | | |
| Professional fees | $ 68,044 | $ 36,342 | $ 23,709 | $ 29,106 | $ 10,695 |
| Contracted services | 47,766 | 18,581 | 9,646 | 9,125 | 6,780 |
| Repairs and maintenance | 17,757 | – | – | – | – |
| Surface water | 1,955 | – | – | – | – |
| Administrative | 28,820 | 14,408 | 7,177 | 6,496 | 2,120 |
| Other | 30 | 5,976 | 2,357 | 3,488 | 1,650 |
| Intergovernmental | | | | | |
| Master District connection charges | 6,000 | – | – | – | – |
| Facilities renewal and replacement | 171 | – | – | – | – |
| Fire protection services | 427 | – | – | – | – |
| Contractual obligations | 49,530 | 45,786 | 62,962 | 48,041 | 55,167 |
| Total Expenditures | $ 220,500 | $ 121,093 | $ 105,851 | $ 96,256 | $ 76,412 |
| | | | | | |
| Revenues Over Expenditures | $ (39,862) | $ (120,632) | $ (105,851) | $ (96,238) | $ (76,359) |
| | | | | | |
| Developer Advances | $ 63,592 | $ 131,086 | $ 92,837 | $ 77,916 | $ 55,167 |
| | | | | | |
| Net Change in Fund Balance | $ 23,730 | $ 10,454 | $ (13,014) | $ (18,322) | $ (21,192) |
| | | | | | |
| Beginning Fund Balance | $ (14,437) | $ (24,891) | $ (11,877) | $ 6,445 | $ 27,637 |
| Ending Fund Balance | $ 9,293 | $ (14,437) | $ (24,891) | $ (11,877) | $ 6,445 |

(a) Unaudited.

## MASTER DISTRICT CONTRACT

The Participants, including the District, have executed the Master District Contract (herein defined) with the Master District for the financing, operation, and maintenance of the regional facilities described below and obtained the approval of the Master District Contract from voters at elections held within their respective boundaries. The Master District in its capacity as the provider for water, wastewater, drainage facilities (the "Master District System Facilities"), regional arterial, collector, and thoroughfare roads and improvements in aid thereof (the "Master District Road Facilities"), regional park and recreational facilities (the "Master District Park Facilities") and firefighting facilities (the "Master District Fire Facilities") necessary to serve the Service Area, which includes the District, collectively referred to as the "Master District Facilities," will construct the Master District Facilities and provide services from those Master District Facilities.

The Master District Contract provides that all Participants shall pay a pro rata share of debt service on the Contract Revenue Bonds (herein defined), based upon each Participant's Gross Certified Assessed Valuation (herein defined) as a percentage of the Gross Certified Assessed Valuation of all the Participants, calculated annually. Calculation of the Contract Payment (herein defined) is based upon Gross Certified Assessed Valuation and does not make allowances for any exemptions granted by the Participants. Each Participant is obligated to pay its pro rata share of the annual debt service payments from the proceeds of annual ad valorem property taxes, including the Contract Tax (herein defined), without legal limit as to rate or amount, revenues derived from the operation of its water distribution and wastewater collection system or from any

other legally available funds. The Contract Tax shall be calculated to include the charges and expenses of paying agents and registrars utilized in connection with the Contract Revenue Bonds, the principal, interest, and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the applicable bond resolution. The Contract Tax also includes each Participant's share of the debt service on bonds issued for the permanent wastewater treatment plant by SRMUD. See "MASTER DISTRICT CONTRACT WITH SRMUD." Each Participant's Contract Payment will be calculated annually by the Master District; however, the levy of a Contract Tax or the provisions of other funds to make its contract payments is the sole responsibility of each Participant.

The Master District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

The Master District is the financing vehicle for all Master District Facilities and will own and operate all Master District System Facilities (except for roadways that are accepted by the County for operation and maintenance), Master District Park Facilities, and Master District Fire Facilities. However, pursuant to the Utility Contract, SRMUD owns and operates the Master District System Facilities. Each Participant will own and operate its internal facilities. The internal facilities are expected to be financed with unlimited tax bonds sold by each of the Participants. It is anticipated that the Master District Facilities will be constructed in stages to meet the needs of a continually expanding population within the Service Area. In the event that the Master District fails to finance or SRMUD fails to meet its obligations to provide Master District System Facilities as required by the Service Area, each Participant has the right pursuant to the Master District Contract to design, acquire, construct, or expand the Master District System Facilities needed to provide it with service.

Each Participant is further obligated to pay monthly charges to the Master District, for water and wastewater services rendered pursuant to the Master District Contract. The Master District pays monthly charges to SRMUD for its share of operation and maintenance expenses and payments to SRMUD for its pro rata share of debt service on bonds issued for the permanent wastewater treatment plant. See "MASTER DISTRICT CONTRACT WITH SRMUD." The monthly charges paid by each Participant to the Master District is used to pay its share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each Participant's share of operation and maintenance expenses is based upon a "unit cost" of operation and maintenance expense, calculated by the Master District (taking into account charges by SRMUD) and expressed in terms of "cost per equivalent single-family residential connection." Each Participant's monthly payment to the Master District for operation and maintenance expenses will be calculated by multiplying the number of ESFCs reserved to it on the first day of the previous month by the unit cost per ESFC. The monthly cost per ESFC being charged by the Master District to each Participant presently is $31.91 for water and wastewater services and $28.50 for firefighting services for fiscal year 2026.

Pursuant to the Master District Contract, each Participant is obligated to establish and maintain rates, fees, and charges for its water and wastewater services which, together with taxes levied and funds received from any other lawful sources, are sufficient at all times to pay operation and maintenance charges of the Master District, to pay other costs of operating and maintaining its own utility system, and to pay its obligations pursuant to the Master District Contract, including its Contract Payments. The Master District does not expect that revenues from the Participants' wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of Contract Payments for application to debt service on the Contract Revenue Bonds. All sums payable by each Participant to the Master District pursuant to the Master District Contract are to be paid by such Participant without set off, counterclaim, abatement, suspension, or diminution. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District's facilities by such Participant in addition to the Master District's other remedies pursuant to the Master District Contract. As a practical matter, the Participants have no alternative provider of the water and wastewater services rendered by the Master District under the Master District Contract. See "THE BONDS – Source of Payment."

Pursuant to the Master District Contract, the Master District owns or will own, construct, and/or acquire the Master District Park Facilities. The Master District may finance the capital costs of Master District Park Facilities either through the issuance of contract revenue bonds or from payments made by each Participant of its pro rata share of the Master District's then estimated capital costs of the Master District Park Facilities (the "Park Construction Charges"). The Park Construction Charges will be computed from time to time on the basis of the then estimated total capital costs of providing the Master District Park Facilities for the Service Area minus the payments which have been previously received from the Participants as Park Construction Charges and dividing the result by the number of projected total connections to be constructed within the Service Area.

If Park Construction Charges are received by the Master District, they shall be deposited into a separate fund for the benefit of the Participants and shall be used solely for the purpose of paying the capital costs of the Master District Park Facilities pursuant to the Master District Contract.

Each Participant is obligated severally, but not jointly, to make contract payments to the Master District in an amount sufficient to pay its debt service requirements on contract revenue bonds. The Master District intends to issue $17,000,000 principal amount of contract revenue bonds for Master District System Facilities in October 2025. At the time of delivery of

the Bonds, the Master District will have $86,310,000 principal amount of contract revenue bonds outstanding (exclusive of the anticipated bond issue). In addition, at the time of delivery of the Bonds, SRMUD will have $22,395,000 principal amount of contract revenue bonds outstanding, $12,305,000 principal amount of which is attributable to the Master District (on behalf of the Participants). No Participant is obligated, contingently or otherwise, to make any contract payments owed by any other Participant; however, lack of payment by any Participant could result in an increase in the contract payment amount paid by each of the other Participants.

## MASTER DISTRICT CONTRACT WITH SRMUD

The Participants, including the District, entered into a master district contract with SRMUD (the "SRMUD Agreement"). The SRMUD Agreement includes other participating districts that are not part of the Service Area. The participants in the SRMUD Agreement pay a connection charge to SRMUD based on its pro rata share of the regional facilities in order to obtain water and wastewater service. The participants in the SRMUD Agreement also pay monthly operation charges to SRMUD for their pro rata share of operation and maintenance expenses. SRMUD has limited authority to issue contract revenue bonds with the consent of all the participating districts: SRMUD may only issue contract revenue bonds for acquisition, construction, or improvement of: (1) surface water facilities; (2) a regional facility to comply with any regulatory requirement; (3) payment of extraordinary expenses of repairing or maintaining the regional facilities; or (4) a permanent wastewater treatment plant.

In 2009, the Master District (on behalf of the Participants) entered into the Utility Contract (herein defined) with SRMUD for the purposes of amending and supplementing the SRMUD Agreement. Pursuant to the terms of the Utility Contract, the parties agreed that the Master District will construct and finance the regional water, wastewater, and drainage facilities that serve the Service Area. Once constructed, the Master District will convey the regional water, wastewater, and drainage facilities to SRMUD for ownership, operation, and maintenance. Upon conveyance, the Master District is not obligated to pay connection charges in order to receive water and wastewater service from SRMUD (currently $25.00 per active connection and $0.40 per 1,000 gallons for a renewal and replacement fee). The Master District will pay monthly operations charges to SRMUD on behalf of the Participants for their pro rata share of operation and maintenance expenses and its pro rata share of debt service on the bonds issued by SRMUD. The Master District currently has purchased capacity in water plants owned by SRMUD. SRMUD has constructed a regional wastewater treatment plant, which will treat the wastewater of the Service Area. See "THE UTILITY SYSTEM – Wastewater Treatment." In May 2018, SRMUD issued $25,010,000 principal amount of contract revenue bonds through the Texas Water Development Board for the construction of permanent wastewater capacity to serve Sienna. The Participants, pursuant to the Master District Contract, are responsible for their pro rata share of such bonds. Of the $25,010,000 principal amount issued, $12,695,000 principal amount is attributable to the Master District (on behalf of the Participants), of which the District is contractually obligated to pay its pro rata share of the annual debt service. At the time of delivery of the Bonds, $12,305,000 principal amount of the Master District's obligation will remain outstanding. See "MASTER DISTRICT CONTRACT."

## THE FLOOD PROTECTION SYSTEM

### Design Standards and Atlas 14

The design of the Flood Protection System is subject to regulations promulgated by the County and FBCDD, among others. A main design concept at the core of the design standards applicable to the Flood Protection System is the "100-year flood plain." The "100-year flood plain" is a hypothetical engineering and meteorological concept that defines the geographical area of land that is predicted to be inundated from a flood with a 1% chance of occurring in any particular year. The County and FBCDD design standards require homes to be built with foundational slabs at least two (2) feet above the 100-year Base Flood Elevation ("BFE") for areas mapped within a Special Flood Hazard Area ("SFHA") as delineated on a Flood Insurance Rate Map (100-year flood plain), and federal regulations require homes to be built above this 100-year water surface elevation to be eligible for federal flood insurance subsidies.

The current County and FBCDD design standards, and the geographical area within the District that comprises the 100-year flood plain, are based on various historical rainfall and river hydrological data sources. In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. On January 1, 2020, the County adopted Atlas 14 criteria for all new development within the County. However, existing development was exempt from these requirements.

The Flood Protection System and homes in the District have been constructed in compliance with all design standards in effect at the time of construction. Moreover, even absent any additional improvements to the current Flood Protection System, the Engineer estimates, but does not guarantee, that based on the design standards at the time of construction that required foundational slabs to be built at least one (1) foot above the FEMA BFE for areas mapped in a SFHA, any 100-year flood event meeting Atlas 14 estimates would be unlikely to result in structural flooding of any buildings and facilities

within the District (i.e. based on the current state of the Flood Protection System, an Atlas 14 100-year flooding event would likely not be more than 1.5 feet greater than a 100-year flooding event estimated by past design standards).

Notwithstanding the information provided above regarding the Flood Protection System, the Flood Protection System does not protect against, and no flood protection system can protect against, all flooding scenarios. Further, because any definition of the composition of the "100-year flood plain" is based on statistical averages, it is possible that 100-year flooding events can occur more often than every 100 years. In fact, the greater Houston area has experienced three (3) 500-year flooding events since 2015 (i.e. a flooding event that has a 0.2% chance of occurring in any particular year). In addition, not every structure in SPLID is equally protected by the Flood Protection System. While all structures within SPLID have been built to the design standards in effect at the time of their construction, some structures within SPLID will always be at greater risk of structural flooding as compared to others.

Although flooding in SPLID could occur for a variety of reasons, SPLID's engineer has identified the three (3) most likely flooding scenarios that could occur within SPLID: (1) an overtopping of the levee, (2) a failure (or breach) of the Flood Protection System, or (3) localized rainfall in excess of the 100-year event. See "RISK FACTORS – Possible Flooding Events."

**Flood Protection, Reclamation, and Drainage Facilities**

Approximately 8,520 of Sienna's approximate 10,230 acres are located within SPLID. The system consists of two (2) independent levee and outfall drainage networks, as well as flood plain reclamation (fill) sites for certain land within SPLID not protected by a levee.

***Sienna South Levee and Drainage System:*** SPLID's initial Plan of Reclamation covers approximately 6,465 acres (the "South Levee System"), including the Service Area (which includes the District). The original levee and related outfall structures and channels were completed in 1984.

According to SPLID's engineer, as a result of the construction of the facilities financed by SPLID, all land located within the South Levee System was removed from the FEMA SFHA of the Brazos River. Such area located within SPLID is now designated by the applicable FEMA Flood Hazard Boundary Map as lying within a designated "shaded Zone X," which designates an area protected from the Brazos River BFE by a levee. As a result of SPLID's construction of the levee, internal detention and drainage systems, SPLID's engineer has defined "internal" SFHAs (100-year flood plain) that comply with current design standards. The lowest foundational slab elevation for residential construction, as required by applicable federal and local regulations, are at least one (1) foot above the designated flood plain.

As discussed under "RISK FACTORS – Extreme Weather Events," the area within the South Levee System has experienced inundation related to rain and rain events. SPLID has undertaken several projects to prevent future flooding events. Among the projects that have been completed to serve the South Levee System are (1) expansion of several drainage channels, which will provide additional storage in the case of a high rain event, (2) additional back-up control gates to major outfalls and (3) the purchase of mobile pumps to aid in flood-fighting. In addition to these projects, SPLID has initiated a capital improvement plan (the "CIP") to address the high river and flooding events that have impacted its protection area. The CIP sets out to strengthen SPLIDs protections through additional facilities and redundancies to make the existing facilities more resilient. See "THE FLOOD PROTECTION SYSTEM – Construction of Future Internal Drainage Facilities."

According to SPLID's engineer, the existing levee, drainage outfall system, and pump station are sufficient to provide flood plain reclamation, flood protection and outfall drainage necessary to serve the existing development within the South Levee System area, including the lots under development. See "THE FLOOD PROTECTION SYSTEM – Design Standards and Atlas 14" and "THE FLOOD PROTECTION SYSTEM – Construction of Future Internal Drainage Facilities."

***Sienna North Levee and Drainage System:*** SPLID's Amended Plan of Reclamation covers approximately 2,516 acres (the "North Levee System"). The original construction of the levee and related outfall structures and channels were completed in 2004. The North Levee System does not include the District or the Service Area.

According to SPLID's engineer, as a result of the construction of the facilities financed by SPLID, all land located within the North Levee System was removed from the 100-year flood plain of the Brazos River. Such area located within SPLID is now designated by the applicable FEMA Flood Insurance Rate Map as lying within a designated "shaded Zone X," which designates an area protected from the Brazos River BFE by a levee. As a result of SPLID's construction of the Flood Protection System, SPLID's engineer has defined "internal" SFHAs (100-year flood plain). This flood plain is designated as at least one (1) foot below the lowest floor slab elevation for residential construction, as required by applicable federal and local regulations.

SPLID has completed the construction of all components of the North Levee System to accommodate full development of the land within that system. According to SPLID's engineer, the existing levee and drainage outfall Flood Protection System is sufficient to serve the development within the North Levee System area, including the lots under development. See "THE FLOOD PROTECTION SYSTEM – Design Standards and Atlas 14."

As discussed under "RISK FACTORS – Extreme Weather Events," the area within the North Levee System has experienced unanticipated water infiltration in the past. One (1) confirmed source of infiltration was a reversed flow of flood water

through the gates at the North Levee System stormwater outfall structures. According to SPLID's engineer, improvements to those structures made after Hurricane Harvey will prevent reversed water flows in the future. SPLID's engineer suspects that a second source of infiltration was groundwater. To remediate this suspected water infiltration source as well as provide the required pumping capacity for Brazos River events when the gates are closed, SPLID has constructed two (2) 100,000 gpm pump stations to serve the North Levee System. According to SPLID's engineer, these pumping facilities should be sufficient to handle calculated infiltration sources for a flooding event similar to Hurricane Harvey.

SPLID anticipates making further improvements to the North Levee System, as discussed under "THE FLOOD PROTECTION SYSTEM – Construction of Future Internal Drainage Facilities."

An engineering or regulatory determination that an area is above the BFE is no assurance that homes built in such areas will not be flooded. If substantial or frequent flooding of homes were to occur in SPLID the marketing of homes and the future growth of property values in SPLID could be adversely affected.

**Construction of Future Internal Drainage Facilities**

The Flood Protection System currently provides flood protection from overflows of the Brazos River to the majority of the land within SPLID. The Flood Protection System also provides detention and outfall drainage facilities to maintain internal water surface elevations in the developed areas below the acceptable criteria levels. SPLID's original development plans contemplated that as development continued in SPLID, the District, the municipal utility districts within the boundaries of SPLID, and/or developers within SPLID would construct additional pump stations, detention facilities and outfall drainage facilities to maintain water surface elevations at acceptable criteria levels. While these development plans remain in place, following Hurricane Harvey and partially in response to new data provided by Atlas 14, the District modified its development plans to improve the Flood Protection System to allow it to better manage extreme weather events such as Hurricane Harvey. In order to implement these modified plans and accelerate improvements to the levee and pump systems in SPLID, in 2018 SPLID held an election and received voter approval authorizing $139,000,000 in additional levee improvement bonds. SPLID has issued such bonds. For a discussion on the effectiveness of SPLID's development plans on the mitigation of future flooding events, see "RISK FACTORS – Possible Flooding Events." While not an exhaustive list, SPLID is currently undertaking the following major projects to protect the land within its boundaries:

***Stormwater Pump Station:*** SPLID has finished construction of the second phase of a second stormwater pump station to serve the South Levee System. Such pump station provides additional capacity to remove water from within the levee in the event that the area within South Levee System is experiencing a high rain event while the outfall gates are closed due to a high river event. The South Levee System is now served by two (2) pump stations with a combined pumping capacity of 799,500 gpm. A third pump station to service the South Levee System with a pumping capacity of 400,500 gpm is under construction and is anticipated to be completed in 2026. SPLID has finished construction of a stormwater pump station to serve the area known as Acreage Estates within the North Levee System. This portion of the North Levee System currently meets all criteria through storage of rainfall in a lake system. The pump station provides additional protection with 40,000 gpm of pumping capacity.

***Additional Control Gates:*** SPLID has installed 42 additional control gates (11 of which will serve the North Levee System and 31 of which will serve the South Levee System) to protect the Flood Protection System in case of a high river event.

***Outfall Structure:*** SPLID has completed construction of its third major outfall structure, which serves the South Levee System. Such outfall structure allows for additional water to flow out of the South Levee System area during a heavy rain event, when the control gates are open. The structure is needed to comply with the additional standards put in place due to Atlas 14. The outfall structure was completed in November 2022.

***Detention Pond Expansion:*** SPLID has a detention pond to provide additional capacity to serve the South Levee System. Such facility assists SPLID in a high rain event. The second phase of the detention pond was completed in June 2022. An additional phase of the detention pond is under construction and is anticipated to be completed in 2025.

SPLID, nor the District, make no guarantee that such improvements will prevent any future flooding events that occur within its boundaries. Additionally, the District makes no representations regarding the timing of completion for any of the projects outlined above.

## THE ROAD SYSTEM

The District will construct all internal collector and arterial roads within the District (the "Road Facilities"). The Master District, in its capacity as the provider of the Master District Road Facilities, will construct the Master District Road Facilities. The major thoroughfare, collectors, and arterial roads consist of stabilized curb and gutter with seven (7) and eight (8)-inch concrete pavement, and bridges.

All roadways are designed and constructed in accordance with the standards, rules, and regulations of the County and the City. The County will accept the Road Facilities for operation and maintenance and is responsible for operation and maintenance thereof. In the event the County were to fail to accept the Road Facilities, the District is expected to include the cost of maintenance of same in the District's operation and maintenance expenses, and such cost could be significant.

Until roads are accepted by the County, the District and/or Developer are responsible for maintenance costs of those roads and any additional repairs required to allow County acceptance of such roads. The District cannot predict the extent or costs of future paving repairs required by the County nor the availability of bond funds or other District funds to pay for paving repairs.

## RISK FACTORS

### General

The Bonds are obligations of the District and are not obligations of Texas; the County; the City; or any entity other than the District. The Bonds will be secured by the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. The ultimate security for payment of principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the commercial and retail industries, not only due to general economic conditions, but also due to the particular factors discussed below.

### Factors Affecting Taxable Values and Tax Payments

***Economic Factors***: The rate of development within the District is directly related to the vitality of the residential housing industry in the Houston metropolitan area, including particularly the vitality of the market for higher priced homes. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Although as of August 1, 2025, residential development in the District included approximately 34 single-family homes (including 21 complete and occupied, 10 complete and unoccupied, and three (3) models), the District cannot predict the pace or magnitude of future construction in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

***Principal Landowners/Developers*:** There is no commitment by or legal requirement of the principal landowners or the Developer to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT WITHIN THE DISTRICT," "DESCRIPTION OF THE DEVELOPER," and "TAX DATA – Principal Taxpayers."

***Dependence on Principal Taxpayers*:** The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated under "TAX DATA – Principal Taxpayers," as of January 1, 2025, the District's 10 principal taxpayers owned property located within the District which comprised of, in aggregate, approximately 98.54% of the total assessed valuation of all taxable property located within the District, and the Developer owned approximately 70.35% of the total assessed valuation of all taxable property located within the District. In the event that the Developer, another taxpayer, or any combination of taxpayers should default in the payment of taxes in an amount that exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolutions to maintain any specified amount of surplus in its interest and sinking funds. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

***Competition:*** The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to the City of Houston, Texas that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District. The competitive position of the Developer or the principal landowners in the sale of land, and the sale or leasing of residences 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.

***Location and Access*:** The District is located in the southeast part of the County, approximately 24 miles southwest of Houston. The District is approximately four (4) miles south of the intersection of the Fort Bend Parkway Toll Road and Sienna Parkway; approximately 11 miles southeast of the intersection of Texas State Highway 6 and U.S. Highway 59; and

approximately five (5) miles south of the intersection of Texas State Highway 6 and Sienna Parkway. The Developer and homebuilders active within the District compete for the sale of developed lots and homes with numerous residential development projects located closer to major employment centers and closer to major freeways. In addition, many of the residential developments with which the District competes have lower overlapping taxes. As a result, particularly during times of increased competition, the Developer and homebuilders may find themselves at a competitive disadvantage to the developers and homebuilders in other residential projects located closer to major urban centers or with lower overlapping taxes. See "THE DISTRICT."

***Maximum Impact on District Tax Rates*:** Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The assessed valuation as of January 1, 2025, of all taxable property located within the District is $43,848,430 and the estimated assessed valuation as of July 15, 2025, is $57,099,436. After issuance of the Bonds, the estimated maximum annual debt service requirement on the Bonds will be $297,375 (2027) and the estimated average annual debt service requirement on the Bonds will be $288,579 (2026–2050). Assuming no decrease from the assessed valuation as of January 1, 2025, tax rates of $0.72 and $0.70 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement on the Bonds and the estimated average annual debt service requirement on the Bonds, respectively. Assuming no decrease from the estimated assessed valuation as of July 15, 2025, tax rates of $0.55 and $0.54 per $100 of assessed valuation at 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement on the Bonds and the estimated average annual debt service requirement on the Bonds, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the anticipated District tax rate or to justify continued payment of taxes by property owners.

Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of homes within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay ad valorem taxes levied by the District.

**Possible Flooding Events**

The District lies within SPLID, which provides flood protection for Sienna. The District is subject to the following flood risks:

***Overtopping, Levee Failure and Excessive Rainfall:*** SPLID's levee and drainage system have been designed and constructed to meet all current regulatory standards. See "THE UTILITY SYSTEM" and "THE FLOOD PROTECTION SYSTEM." However, the levee system does not protect against all flooding scenarios. There are three (3) instances in which flooding could occur in the District: (1) an overtopping of the levee, (2) a failure (or breach) of the levee system or (3) localized rainfall in excess of the 100-year event.

An overtopping of the levee could occur if the Brazos River or its tributaries reach flood stages higher than the 100-year event. The "100-year event" means the river elevation has a statistical 1% chance of occurring in any given year. Current FEMA regulations require an earthen levee to be constructed a minimum of three (3) feet above the level of a 100-year event. The 100-year event elevation for the Brazos River adjacent to SPLID's levee, ranges from 58.72 feet above mean sea level to 66.40 feet above mean sea level. According to SPLID's engineer, overtopping of SPLID's levee system may occur from river events with a recurrence interval of less than 0.2% (500-year event) based on the effective FEMA models for the Brazos River in the County.

In addition to the risk of overtopping, a portion of SPLID would experience flooding if the levee failed (or breached) while the Brazos River (or its tributaries) were at a flood stage of less than the 100-year event. In order to mitigate the risk, SPLID performs weekly inspections of the levee to observe any visible deterioration of the levee that is in need of repair. Further, flooding in SPLID could occur if there was a failure of the pump system during a rain event and at the same time the water level in the Brazos River required the gates to be closed. In this event, water could not get out of the internal system fast enough, causing the internal channels and lakes to overflow.

In addition, SPLID could experience flooding if a localized rainfall event in excess of the 100-year event were to happen within the levee. The statistical chance of this happening is 1% in any given year. Hurricane Harvey produced this kind of rainfall event, which resulted in significant street flooding and some structural flooding within SPLID. See "RISK FACTORS – Extreme Weather Events."

During significant high river events in 2016, 2017, and 2018 the Brazos River eroded a portion of the riverbank below the river and a portion of the South Levee System. SPLID is currently designing an erosion control system to prevent additional erosion that may threaten the levee. The cost of these improvements is estimated to be approximately $15,000,000.

***Inability to Mitigate All Flooding Risks:*** The Flood Protection System does not protect against, and no flood protection system can protect against, all flooding scenarios. Further, because any definition of the composition of the "100-year flood plain" is based on statistical averages, it is possible that 100-year flooding events can occur more often than every 100 years.

SPLID experienced two (2) consecutive 100-year Brazos River flood events in April and May of 2016. During the April 2016 event (also known as the Tax Day event), three (3) gates on the North Pump Station Outfall were significantly damaged by debris due to elevated river levels. This led to an infiltration of the Flood Protection System through the damaged gates. This flood event continued into May 2016 (also known as the Memorial Day event) when another 100-year flood event impacted SPLID. The length of time of this river event, coupled with infiltration through the broken gates, caused several of the pumps to fail. However, SPLID immediately mitigated the flood risk by bringing in temporary drainage pumps, which allowed SPLID to pump out water resulting from the river infiltration until October 2016, when the Brazos River levels eventually returned to below flood stage. During the duration of the 2016 flood events, no structures were damaged or compromised due to floodwaters entering SPLID. Further, it should be noted SPLID has made significant improvements to the pumps and pumping structure, including purchasing 14 additional stand-by pumps, in order to improve flood fighting ability and further minimize flood risk. See "RISK FACTORS – Extreme Weather Events" for a description of the four (4) 100-year flood events experienced by the District since 2015.

Not every structure in SPLID is equally protected by the Flood Protection System. While all structures within SPLID have been built to the design standards in effect at the time of their construction, structures with foundational slabs at a lower elevation within the District may be at greater risk of structural flooding as compared to structures with foundational slabs at a higher elevation, and some areas in SPLID may be more prone to flooding events than other areas.

***Changing Conditions:*** New Atlas 14 rainfall data has begun to replace the historical rainfall data upon which the design of the Flood Protection System was based. Additional and more detailed rainfall data may be provided in the future that could cause the assumptions upon which current design standards are based to be inaccurate and cause the Flood Protection System to be insufficient to mitigate future flooding events. Further, weather and rainfall patterns are subject to a variety of environmental factors. Changing environmental conditions and changing rainfall patterns could also cause the assumptions and design standards upon which the Flood Protection System is based to be inaccurate and cause the Flood Protection System to be insufficient to mitigate future flooding events. Neither SPLID nor the District can make a prediction regarding the effect that any such future changing conditions would have on the Flood Protection System or its ability to mitigate future flooding events. See "THE FLOOD PROTECTION SYSTEM."

**Extreme Weather Events**

The greater Houston area has experienced four (4) 100-year flood events since 2015, the most recent of which was Hurricane Harvey, which made landfall along the Texas gulf coast on August 26, 2017, and brought historic levels of rainfall during the succeeding four (4) days.

The 100-year flood events in 2015 and 2016, while severe, did not cause any structural flooding in the District or SPLID.

Hurricane Harvey produced an estimated 40 inches of rain in SPLID over a four (4)-day period, well in excess of the 100-year threshold across most of the Houston metropolitan area. Additionally, the County Judge called for a mandatory evacuation of SPLID due to the rise of the Brazos River and the risk of a breach or overtopping of SPLID's levee system. Rainfall from Hurricane Harvey did not result in an overtopping or breach of the District's levee system and no homes in the District reported structural flooding or water damage due to Hurricane Harvey. In addition, a tornado touched down and approximately 64 homes were damaged by the tornado within SPLID, none of which were within the District.

According to SPLID's engineer, SPLID experienced significant street flooding and approximately 67 homes within SPLID had water damage from flooding. All flooding was due to the rainfall amounts in SPLID exceeding the design capacity of internal drainage facilities. No flooding occurred due to a breach or overtopping of SPLID's levee system. See "TAXING PROCEDURES – Valuation of Property for Taxation."

The District cannot predict the effect that additional extreme weather events may have upon the District or SPLID's levee and drainage system. Additional extreme weather events have the potential to cause damage within SPLID that could have a negative effect on taxable assessed valuations in the District which could cause tax rates to rise. See "RISK FACTORS – Factors Affecting Taxable Values and Tax Payments – *Maximum Impact on District Tax Rates.*"

**Potential Impact of Natural Disaster**

The District is located near the Texas Gulf Coast and has been and could again be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather events. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District and an increase in the District's tax rates. See "TAXING PROCEDURES – Property Tax Code and County-Wide Appraisal District" and "TAXING PROCEDURES – Valuation of Property for Taxation."

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period

in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from meteorological events.

**Potential Effects of Oil Price Volatility on the Houston Area**

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

**Operational Expenses**

The District is obligated to pay monthly charges to Sienna Municipal Utility District No. 5 (the "Master District") for its share of the Master District's operation and maintenance expenses in connection with the Master District's provision of service from the Master District Facilities. The monthly charges paid by the District to the Master District is used to pay the District's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. The District's share of operation and maintenance expenses and reserve requirements is based upon a "unit cost" of operation and maintenance expense and reserve requirements, calculated by the Master District and expressed in terms of "cost per equivalent single-family residential connection." The District's monthly payment to the Master District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family residential connections reserved to the District on the first day of the previous month by the unit cost per equivalent single-family residential connection. The monthly cost per single-family equivalent connection being charged by the Master District to the District presently is $31.91 for water and wastewater services and $28.50 for firefighting services for fiscal year 2026. See "THE UTILITY SYSTEM." Residents in the District also pay a renewal and replacement fee of $0.40 per 1,000 gallons of water used and a surface water fee of $3.20 per 1,000 gallons of water used to the City.

**Debt Burden on Property within the District**

The entirety of the District is located within SPLID, a levee improvement district that covers approximately 9,832 acres of land. SPLID has constructed certain improvements to remove land within SPLID from the flood plain and to accommodate stormwater drainage within SPLID. At the time of delivery of the Bonds, SPLID will have $201,975,000 principal amount of unlimited tax bonds outstanding. The principal of and interest on SPLID bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within SPLID. For the 2024 tax year, SPLID levied a total tax rate of $0.4125 per $100 of assessed valuation. The combined tax rates of the District and SPLID, which total $1.4625 per $100 of assessed valuation) are higher than the tax levy of many municipal utility districts in the Houston metropolitan area.

The Master District provides the Master District Facilities necessary to service the Service Area, which includes the District, and finances such facilities through the issuance of contract revenue bonds. Principal and interest on such bonds are payable from and secured by payments required of the Participants, including the District, from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each Participant or from other revenues available to such Participant. The Master District intends to issue $17,000,000 principal amount of contract revenue bonds for Master District System Facilities in October 2025. At the time of delivery of the Bonds, the Master District will have $86,310,000 principal amount of contract revenue bonds outstanding (exclusive of the anticipated bond issues).

Contract payments by Participants and use of such proceeds by the Master District to pay debt service on the Master District's bonds (the "Contract Revenue Bonds") is governed by the Contract for Financing, Operation, and Maintenance of Regional Facilities (the "Master District Contract"), which has been entered into by the Master District and the Participants. By execution of the Master District Contract, each Participant has agreed to pay a pro rata share of the debt service on the Contract Revenue Bonds (the "Contract Payments") in an amount that is based upon the appraised value subject to taxation plus amounts equal to any optional exemption or special appraisal value granted or adopted by a Participant, and any optional exemption or special value claimed by a landowner due to use for agricultural, open space, timberland, or other similar uses (the "Gross Certified Assessed Valuation") of each Participant as a percentage of the Gross Certified Assessed Valuation of all Participants, calculated annually. Each Participant is contractually obligated to make Contract Payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on taxable property within its boundaries (the "Contract Tax"), from revenues derived from the operations of such Participant's water distribution and wastewater collection system, or from any other lawful sources of such Participant's income. No Participant is liable for the payments owed by any other Participant; however, failure of any Participant to make its Contract Payment, as required by the Master District Contract, could result in an increase in the Contract Payment amount paid by each of the Participants during the time that such Participant's payment is delinquent as the Participant will have to replenish coverage in the debt service fund.

The Master District contracts with SRMUD for water supply and wastewater treatment services. As discussed under "MASTER DISTRICT CONTRACT WITH SRMUD," in 2009, the Master District (on behalf of the Participants) entered into a

Utility Contract with SRMUD (the "Utility Contract") wherein the parties agreed that the Master District will construct and finance the regional water, wastewater, and drainage facilities that serve the Service Area. Once constructed, the Master District will convey the regional water, wastewater, and drainage facilities to SRMUD for ownership, operation, and maintenance. Upon conveyance, the Master District is not obligated to pay connection charges in order to receive water and wastewater service from SRMUD. The Master District will pay monthly operations charges to SRMUD on behalf of the Participants for their pro rata share of operation and maintenance expenses. The Master District currently has purchased capacity in two (2) water plants and a wastewater treatment plant owned by SRMUD.

In May 2018, SRMUD issued $25,010,000 principal amount of contract revenue bonds through the Texas Water Development Board for the construction of permanent wastewater capacity to serve Sienna. Of the $25,010,000 principal amount issued, $12,695,000 principal amount is attributable to the Master District (on behalf of the Participants), of which the District is contractually obligated to pay its pro rata share of the annual debt service. At the time of delivery of the Bonds, $12,305,000 principal amount of the Master District's obligation will remain outstanding.

The tax rate that may be required to service debt on any bonds issued by the District is subject to numerous uncertainties such as the growth of taxable values within such district, the amount of the bonds issued, regulatory approvals, construction costs, and market interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property situated in the Service Area, will be competitive with the tax rates of competing projects. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

**Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection procedures against a taxpayer; (c) market conditions limiting the proceeds from a foreclosure sale of taxable property; or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

**Registered Owners' Remedies and Bankruptcy**

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds (the "Registered Owners") have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolutions do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no provision for acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS – Registered Owners' Remedies."

**Marketability**

The District has no understanding (other than the initial reoffering yields) with the winning bidders for the Bonds (the "Initial Purchasers") regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked price

of other bonds which are more generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

**Bond Insurance Risk Factors**

*The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The following 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 acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

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

In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the bond insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

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

Neither the District or the Initial Purchasers have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

**Future Debt**

Following the issuance of the Bonds, $269,350,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for the purpose of refunding such bonds; $154,900,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for the purpose of refunding such bonds; and $68,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities to serve the District, and for the purpose of refunding such bonds, will remain authorized and unissued; and such additional bonds as may hereafter be approved by both the Board and voters of the District. See "THE BONDS – Issuance of Additional Debt."

The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolutions. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Following the issuance of the Bonds, the District will owe the Developer approximately $16,850,000 for the expenditures advanced to date for the development of the District. In addition, the District may sell park bonds to pay its pro-rata share of Master District Park Facilities.

The principal amount of bonds issued to finance parks and recreational facilities may not exceed 1% of the District's taxable assessed value; however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not greater than 3% of the value of the taxable property in the District. See "THE UTILITY SYSTEM," "THE ROAD SYSTEM," and "DEVELOPMENT WITHIN THE DISTRICT."

**Continuing Compliance with Certain Covenants**

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

**Approval of the Bonds**

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

**Environmental Regulations**

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

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

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

*Air Quality Issues*: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial, and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight (8)-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery, and Liberty Counties—has been designated a nonattainment area under two separate federal ozone standards: the eight (8)-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 (8)-hour ozone standard in 2015 (the "2015 Ozone Standard"). While Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

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

The HGB Area is currently designated as a "serious" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six (6) 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. Further, the EPA has established a NPDWR for six (6) Per- and Polyflouroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on August 15, 2024. The District has filed a waiver from the MS4 Permit due to its population and has provisional coverage during this process. If the waiver is granted, the District will not need to take action until 2029. If the waiver is not granted, the District will join the other Participants in its MS4 Permit. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems.

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 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of "waters of the United States" under the CWA to conform with the Supreme Court's decision.

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

**2025 Legislative Session**

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one (1) or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Legislature may enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. On June 23, 2025, the Governor called a special session which began on July 21, 2025, and ended on August 15, 2025. No legislation was passed during the first special session. The Governor immediately called a second special session which began on August 15, 2025. The agenda released by the Governor for the second special session includes, in part, "legislation reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes." The District can make no representations or predictions regarding any actions the Texas Legislature may take or the effect of any such actions.

## LEGAL MATTERS

### Legal Opinions

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

Bond Counsel has reviewed the information appearing under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System," "Use and Distribution of System Bond Proceeds," and "Use and Distribution of Road Bond Proceeds"), "THE DISTRICT – Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the Bond Resolutions approving the Bonds. Bond Counsel has not, however, independently verified any of the factual information contained herein nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

### No-Litigation Certificate

The District will furnish the Initial Purchasers a certificate, executed by the Board President and the Board Secretary, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

### No Material Adverse Change

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

## TAX MATTERS

**The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.**

### Tax Exemption

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Code and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolutions pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Bond Resolutions or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolutions upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

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

**Qualified Tax-Exempt Obligations**

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed $10,000,000.

The District will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2025 is not expected to exceed $10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2025.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

**Additional Federal Income Tax Considerations**

*Collateral Tax Consequences*

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned

income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

*Tax Accounting Treatment of Original Issue Premium*

If the issue price of any maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

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

*Tax Accounting Treatment of Original Issue Discount*

If the issue price of any maturity the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "OID Bonds"), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption," "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences," and "TAX MATTERS – Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such OID Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the [inside] cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

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

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

disposition of such OID Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID Bonds.

*Tax Legislative Changes*

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently enacted, proposed, pending or future legislation.

## CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for SEC Rule 15c2-12 (the "Rule") (d)(2) exemption from SEC Rule (b)(5) regarding the District's continuing disclosure obligations because the District has not issued more than $10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Resolutions, the District has made 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 material events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") System.

### Annual Reports

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

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in "APPENDIX B." The District will update and provide this information within six (6) months after the end of each of its fiscal years ending in or after 2025. The District will provide the updated information to EMMA.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to Texas law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six (6) month period, and audited financial statements when the audit report becomes available.

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

### Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of 10 business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies,

priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligations" when used in this paragraph shall have the meanings ascribed to them under the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolutions make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement discussed under "CONTINUING DISCLOSURE OF INFORMATION – Annual Reports."

**Availability of Information from EMMA**

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

**Limitations and Amendments**

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

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolutions if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchasers from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement discussed under "CONTINUING DISCLOSURE OF INFORMATION – Annual Reports," an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**Compliance with Prior Undertakings**

The Bonds are the first issuances of bonded indebtedness by the District, and, as such, the District has not previously entered into a continuing disclosure agreement pursuant to the Rule.

## OFFICIAL STATEMENT

**General**

The information contained herein has been obtained primarily from the District's records, the Engineer, the Developer, the Tax Assessor/Collector, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein 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 for further information.

The District's financial statements for the fiscal year ended July 31, 2024, were audited by the Auditor and are attached hereto as "APPENDIX B." The Auditor has consented to the publication of such financial statements herein.

**Experts**

The information contained herein relating to engineering and to the description of the Utility System, and, in particular, that engineering information included under "THE BONDS – Use and Distribution of System Bond Proceeds," "THE BONDS – Use and Distribution of Road Bond Proceeds," "THE DISTRICT – Description," and "THE FLOOD PROTECTION SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information included under "THE UTILITY SYSTEM," as it relates to "Water Supply" and "Wastewater Treatment," and that engineering information included under "THE ROAD SYSTEM," has been provided by Pape-Dawson Engineers, LLC and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained herein relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations included under "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

**Certification as to Official Statement**

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

**Updating of Official Statement**

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

**Official Statement Deemed Final**

For purposes of compliance with the Rule and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date (or of any such supplement or correction) except for the omission of no more than information permitted by the Rule.

This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "final official statement" of the District with respect to the Bonds, as such term is defined in the Rule.

## CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements, and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents, and resolutions contained herein are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

*[Remainder of Page Intentionally Left Blank]*

This Official Statement was approved by the Board of Directors of Sienna Municipal Utility District No. 7 as of the date shown on the cover.

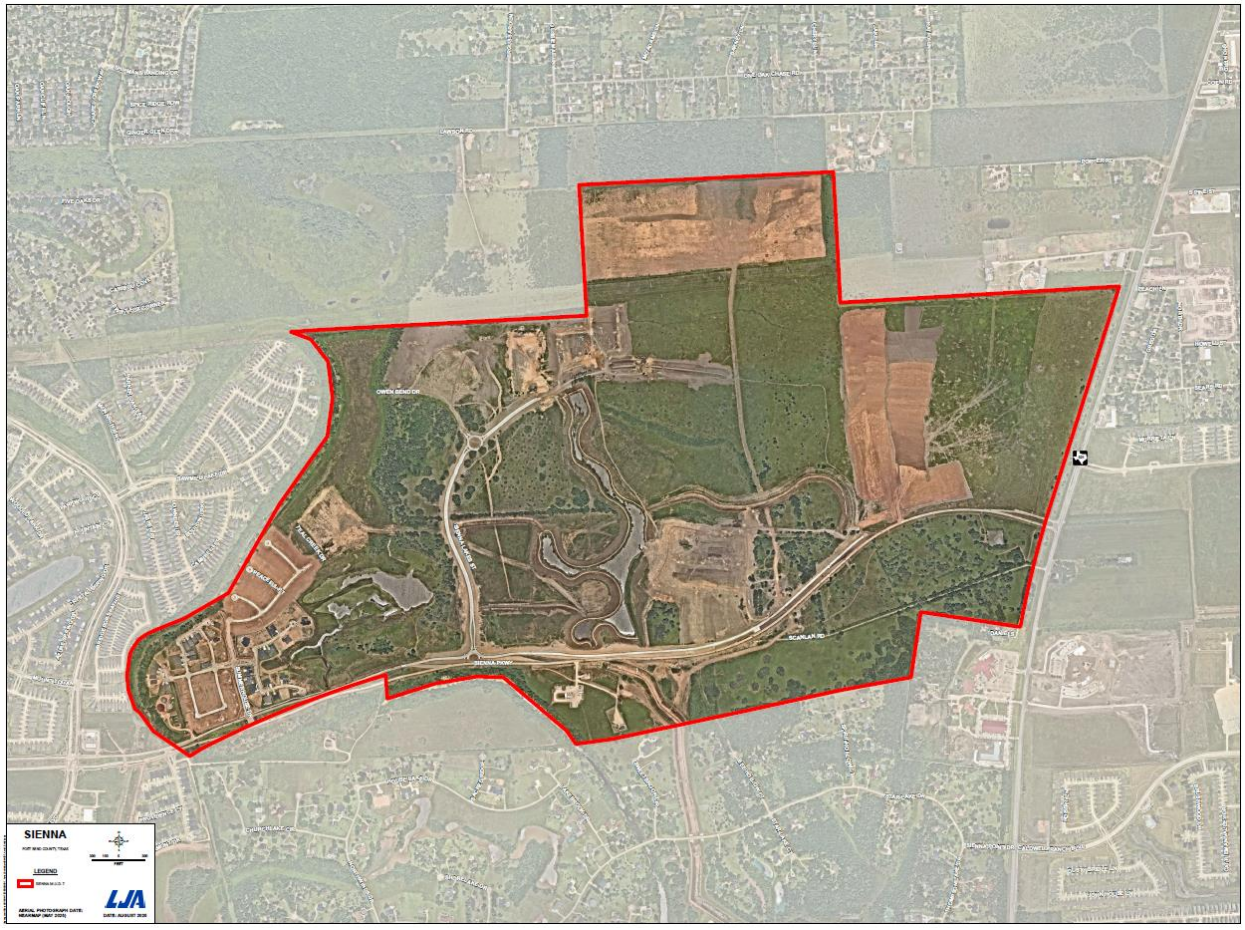
/s/ _____
President, Board of Directors
Sienna Municipal Utility District No. 7

ATTEST:

/s/ _____
Secretary, Board of Directors
Sienna Municipal Utility District No. 7

**APPENDIX A**

**Aerial Photograph of the District**



**APPENDIX B**

**Financial Statements of the District**

# SIENNA MUNICIPAL
# UTILITY DISTRICT NO. 7

## FORT BEND COUNTY, TEXAS

## FINANCIAL REPORT

**July 31, 2024**

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# McGRATH & CO., PLLC

*Certified Public Accountants*
2900 North Loop West, Suite 880
Houston, Texas 77092


## Independent Auditor's Report

Board of Directors
Sienna Municipal Utility District No. 7
Fort Bend County, Texas

### Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of Sienna Municipal Utility District No. 7 (the "District"), as of and for the year ended July 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Sienna Municipal Utility District No. 7, as of July 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

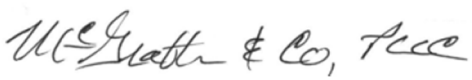
**Required Supplementary Information**

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

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

**Supplementary Information**

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



Houston, Texas
November 19, 2024

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# Management's Discussion and Analysis

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## Using this Annual Report

Within this section of the financial report of Sienna Municipal Utility District No. 7 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended July 31, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

## Overview of the Financial Statements

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

## Government-Wide Financial Statements

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

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

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

**Fund Financial Statements**

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

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

**Financial Analysis of the District as a Whole**

The District's net position at July 31, 2024, was negative $2,117,946. The District's net position is negative because the District incurs debt to construct public road facilities which it conveys to Fort Bend County and because the District relies on advances from its developers to fund operating costs. A comparative summary of the District's overall financial position, as of July 31, 2024 and 2023, is as follows:

| | 2024 | 2023 |
|---|---|---|
| Current and other assets | $ 47,543 | $ 2,274 |
| Capital assets | 3,252,666 | 259,440 |
| Total assets | 3,300,209 | 261,714 |
| | | |
| Current liabilities | 38,192 | 16,711 |
| Long-term liabilities | 5,379,963 | 1,033,069 |
| Total liabilities | 5,418,155 | 1,049,780 |
| | | |
| Net position | | |
| Net investment in capital assets | (68,029) | |
| Unrestricted | (2,049,917) | (788,066) |
| Total net position | $ (2,117,946) | $ (788,066) |

The total net position of the District decreased during the current fiscal year by $1,329,880. A comparative summary of the District's *Statement of Activities* for the current and prior fiscal year (unaudited) is as follows:

| | 2024 | 2023 |
|---|---|---|
| Revenues | | |
| Property taxes, penalties and interest | $ 157,473 | $ - |
| Water and sewer service | 4,152 | |
| Other | 19,071 | 461 |
| Total revenues | 180,696 | 461 |
| Expenses | | |
| Current service operations | 164,372 | 75,307 |
| Intergovernmental | 56,128 | 45,786 |
| Depreciation | 68,029 | |
| Total expenses | 288,529 | 121,093 |
| Change in net position before other item | (107,833) | (120,632) |
| Other item | | |
| Transfers to other governments | (1,222,047) | (27,124) |
| Change in net position | (1,329,880) | (147,756) |
| Net position, beginning of year | (788,066) | (640,310) |
| Net position, end of year | $ (2,117,946) | $ (788,066) |

**Financial Analysis of the District's General Fund**

The District's fund balance in the General Fund, as of July 31, 2024, was $9,293. A comparative summary of the General Fund's financial position as of July 31, 2024 and 2023, is as follows:

| | 2024 | 2023 |
|---|---|---|
| Total assets | $ 47,543 | $ 2,274 |
| Total liabilities | $ 38,192 | $ 16,711 |
| Total deferred inflows | 58 | |
| Total fund balance | 9,293 | (14,437) |
| Total liabilities, deferred inflows and fund balance | $ 47,543 | $ 2,274 |

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

| | 2024 | 2023 |
|---|---|---|
| Total revenues | $ 180,638 | $ 461 |
| Total expenditures | (220,500) | (121,093) |
| Revenues under expenditures | (39,862) | (120,632) |
| Other changes in fund balance | 63,592 | 131,086 |
| Net change in fund balance | $ 23,730 | $ 10,454 |

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District, tap connection fees charged to homebuilders in the District and developer advances. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The District levied its first maintenance tax rate during the current fiscal year.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.
- Developers in the District advance funds to the District as needed to pay operating costs.

**General Fund Budgetary Highlights**

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $23,730 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

**Capital Assets**

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

Capital assets held by the District at July 31, 2024 and 2023, are summarized as follows:

| | 2024 | 2023 |
|---|---|---|
| Capital assets not being depreciated | | |
| Land and improvements | $ 259,440 | $ 259,440 |
| Capital assets being depreciated | | |
| Infrastructure | 3,061,255 | |
| Less accumulated depreciation | (68,029) | |
| Depreciable capital assets, net | 2,993,226 | |
| Capital assets, net | $ 3,252,666 | $ 259,440 |

Capital asset additions during the current year include utilities to serve Sienna Sections 50A, 50B and Summerhouse Drive.

Additionally, Fort Bend County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developers are reimbursed. For the year ended July 31, 2024, capital assets in the amount of $1,222,047 have been recorded as transfers to other governments in the government-wide statements.

**Long-Term Debt and Related Liabilities**

As of July 31, 2024, the District owes approximately $5,379,963 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of $4,937,328 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developers are reimbursed.

At July 31, 2024, the District had $271,300,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; $68,500,000 for parks and recreational facilities and the refunding of such bonds; and $156,900,000 for road improvements and the refunding of such bonds.

## Next Year's Budget

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

| | 2024 Actual | 2025 Budget |
|---|---|---|
| Total revenues | $ 180,638 | $ 575,735 |
| Total expenditures | (220,500) | (334,332) |
| Revenues over/(under) expenditures | (39,862) | 241,403 |
| Other changes in fund balance | 63,592 | |
| Net change in fund balance | 23,730 | 241,403 |
| Beginning fund balance | (14,437) | 9,293 |
| Ending fund balance | $ 9,293 | $ 250,696 |

## Property Taxes

The District's property tax base increased approximately $14,878,000 for the 2024 tax year from $14,985,484 to $29,863,147. This increase was primarily due to new construction in the District and increased property values. For the 2024 tax year, the District has levied a maintenance tax rate of $0.71 per $100 of assessed value and a contract tax debt service tax rate of $0.34 per $100 of assessed value, for a total combined tax rate of $1.05 per $100 of assessed value. Tax rate for the 2023 tax year was $1.05 per $100 for maintenance and operations.

# Basic Financial Statements

***Sienna Municipal Utility District No. 7***
***Statement of Net Position and Governmental Fund Balance Sheet***
***July 31, 2024***

| | General Fund | Adjustments | Statement of Net Position |
|---|---|---|---|
| **Assets** | | | |
| Cash | $ 39,831 | $ - | $ 39,831 |
| Taxes receivable | 58 | | 58 |
| Customer service receivables | 4,585 | | 4,585 |
| Prepaid items | 3,069 | | 3,069 |
| Capital assets not being depreciated | | 259,440 | 259,440 |
| Capital assets, net | | 2,993,226 | 2,993,226 |
| Total Assets | $ 47,543 | 3,252,666 | 3,300,209 |
| **Liabilities** | | | |
| Accounts payable | $ 30,728 | | 30,728 |
| Other payables | 169 | | 169 |
| Customer deposits | 1,600 | | 1,600 |
| Unearned revenue | 5,695 | | 5,695 |
| Due to developers | | 5,379,963 | 5,379,963 |
| Total Liabilities | 38,192 | 5,379,963 | 5,418,155 |
| **Deferred Inflows of Resources** | | | |
| Deferred property taxes | 58 | (58) | |
| **Fund Balance/Net Position** | | | |
| **Fund Balance** | | | |
| Nonspendable | 3,069 | (3,069) | |
| Unassigned | 6,224 | (6,224) | |
| Total Fund Balance | 9,293 | (9,293) | |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | $ 47,543 | | |
| **Net Position** | | | |
| Net investment in capital assets | | (68,029) | (68,029) |
| Unrestricted | | (2,049,917) | (2,049,917) |
| Total Net Position | | $ (2,117,946) | $ (2,117,946) |

See notes to basic financial statements.

***Sienna Municipal Utility District No. 7***
***Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance***
***For the Year Ended July 31, 2024***

| | General Fund | Adjustments | Statement of Activities |
|---|---|---|---|
| **Revenues** | | | |
| Water service | $ 2,933 | $ - | $ 2,933 |
| Sewer service | 1,219 | | 1,219 |
| Property taxes | 157,235 | 58 | 157,293 |
| Penalties and interest | 180 | | 180 |
| Surface water fees | 2,546 | | 2,546 |
| Tap connection and inspection | 16,525 | | 16,525 |
| Total Revenues | 180,638 | 58 | 180,696 |
| **Expenditures/Expenses** | | | |
| Current service operations | | | |
| Professional fees | 68,044 | | 68,044 |
| Contracted services | 47,766 | | 47,766 |
| Repairs and maintenance | 17,757 | | 17,757 |
| Surface water | 1,955 | | 1,955 |
| Administrative | 28,820 | | 28,820 |
| Other | 30 | | 30 |
| Intergovernmental | | | |
| Master District connection charges | 6,000 | | 6,000 |
| Facilities renewal and replacement | 171 | | 171 |
| Fire protection services | 427 | | 427 |
| Contractual obligations | 49,530 | | 49,530 |
| Depreciation | | 68,029 | 68,029 |
| Total Expenditures/Expenses | 220,500 | 68,029 | 288,529 |
| **Revenues Under Expenditures/Expenses** | (39,862) | (67,971) | (107,833) |
| **Other Financing Sources** | | | |
| Developer advances | 63,592 | (63,592) | |
| **Other Item** | | | |
| Transfers to other governments | | (1,222,047) | (1,222,047) |
| **Net Change in Fund Balance** | 23,730 | (23,730) | |
| **Change in Net Position** | | (1,329,880) | (1,329,880) |
| Fund Balance/Net Position | | | |
| Beginning of the year | (14,437) | (773,629) | (788,066) |
| **End of the year** | $ 9,293 | $ (2,127,239) | $ (2,117,946) |

See notes to basic financial statements.

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## Note 1 – Summary of Significant Accounting Policies

The accounting policies of Sienna Municipal Utility District No. 7 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

### Creation

The District was organized, created, and established as Sienna Plantation Municipal Utility District No. 1 pursuant to an order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality dated October 17, 1979, under the terms and conditions of Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on October 18, 1979. Road powers were added to the District by Special Legislation codified as Chapter 3823, Texas Special Local Laws Code. On June 29, 2021, the District obtained approval from the TCEQ to change the name of the District to Sienna Municipal Utility District No. 7.

The District's primary activities include construction, maintenance and operation of water, sewer, drainage, parks and recreational facilities and road improvements. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

### Reporting Entity

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

### Government-Wide and Fund Financial Statements

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

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

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

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

**Measurement Focus and Basis of Accounting**

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

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

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

**Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

**Prepaid Items**

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At July 31, 2024, an allowance for uncollectible accounts was not considered necessary.

**Capital Assets**

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

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method over an estimated useful life of 45 years.

**Deferred Inflows and Outflows of Financial Resources**

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

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

**Net Position – Governmental Activities**

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

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

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

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Net Position – Governmental Activities (continued)**

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

## Note 1 – Summary of Significant Accounting Policies (continued)

### Use of Estimates

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

## Note 2 – Adjustment from Governmental to Government-wide Basis

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

| | | |
|---|---|---|
| Total fund balance, governmental funds | | $ 9,293 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. | | |
| Historical cost | $ 3,320,695 | |
| Less accumulated depreciation | (68,029) | |
| Change due to capital assets | | 3,252,666 |
| Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the *Statement of Net Position.* | | (5,379,963) |
| Property taxes receivables have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds. | | 58 |
| Total net position - governmental activities | | $ (2,117,946) |

## Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

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

| | | |
|---|---|---|
| Net change in fund balance - total governmental funds | $ | 23,730 |
| Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes. | | 58 |
| In the *Statement of Activities,* the cost of capital assets is charged to depreciation expense over the estimated useful life of the asset. | | (68,029) |
| Amounts received from the District's developers for operating advances provide financial resources at the fund level, but are recorded as a liability in the *Statement of Net Position.* | | (63,592) |
| The District conveys certain roads to Fort Bend County upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities,* these amounts are reported as transfers to other governments. | | (1,222,047) |
| Change in net position of governmental activities | $ | (1,329,880) |

## Note 3 – Implementation of New Accounting Guidance

During the current fiscal year, the District implemented GASB Implementation Guide ("GASBIG") 2021-1, Question 5.1, which requires the capitalization of the acquisition of a group of individual capital assets whose individual acquisition costs are less than the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. Under this new guidance, the District's acquisition of water meters that exceeds the capitalization threshold in the aggregate should be recorded as Capital outlays instead of Contracted services in the *Statement of Revenues, Expenditures and Changes in Fund Balances*. On the government wide statements, the acquisition of water meters should not be recorded as an expense on the *Statement of Activities* but should be recorded as capital assets on the *Statement of Net Position.*

## Note 4 – Deposits and Investments

### Deposit Custodial Credit Risk

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

### Investments

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

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

## Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended July 31, 2024, is as follows:

| | Beginning Balances | Additions/ Adjustments | Ending Balances |
|---|---|---|---|
| Capital assets not being depreciated | | | |
| Land and improvements | $ 259,440 | $ - | $ 259,440 |
| Capital assets being depreciated | | | |
| Infrastructure | | 3,061,255 | 3,061,255 |
| Less accumulated depreciation | | (68,029) | (68,029) |
| Subtotal depreciable capital assets, net | | 2,993,226 | 2,993,226 |
| Capital assets, net | $ 259,440 | $ 2,993,226 | $ 3,252,666 |

Depreciation expense for the current fiscal year was $68,029.

## Note 6 – Due to Developer

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

The District's developer has also advanced funds to the District for operating expenses.

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

| | |
|---|---|
| Due to developer, beginning of year | $ 1,033,069 |
| Developer funded construction and adjustments | 4,283,302 |
| Operating advances | 63,592 |
| Due to developer, end of year | $ 5,379,963 |

**Note 6 – Due to Developer (continued)**

In addition, the District will owe the developer approximately $4,937,328, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

| Project | Contract Amount | Percent Complete |
|---|---|---|
| Sienna Section 50A - paving | $ 855,202 | 93% |
| Sienna Section 50C - utilities | 522,374 | 55% |
| Sienna Lakes Drive, phase 1 - utilities | 3,559,752 | 0% |
| | $ 4,937,328 | |

**Note 7 – Long-Term Debt**

At July 31, 2024, the District had $271,300,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; $68,500,000 for park and recreational facilities and the refunding of such bonds; and $156,900,000 for road improvements and the refunding of such bonds.

**Note 8 – Property Taxes**

On November 3, 2009, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value and a road maintenance tax limited to $0.25 per $100 of assessed value.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of $1.05 per $100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was $157,347 on the adjusted taxable value of $14,985,484.

## Note 9 – Transfers to Other Governments

Fort Bend County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Fort Bend County, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended July 31, 2024, the District recorded transfers to other governments in the amount of $1,222,047 for road facilities constructed by a developer within the District.

## Note 10 – Contracts with Sienna Regional Municipal Utility District

Sienna Municipal Utility District No. 5 ("the Master District"), as a participant, and other participants, including the District, entered into a contract for financing, operation and maintenance of regional water, sanitary sewer and storm sewer facilities with Sienna Regional Municipal District ("Sienna RM") in 2006 (the "Sienna RM Regional Contract"). The Sienna RM Regional Contract includes other participating districts that are not part of the Master District service area. Pursuant to this contract, Sienna RM has the authority to construct and acquire regional water, wastewater and park facilities. The participants in the Sienna RM Regional Contract pay a connection charge to Sienna RM based on its pro rata share of the regional facilities in order to obtain water and wastewater service. The participants in the Sienna RM Regional Contract also pay monthly operation charges to Sienna RM for their pro rata share of operation and maintenance expenses. Sienna RM has limited authority to issue contract revenue bonds: Sienna RM may only issue contract revenue bonds for acquisition, construction or improvement of (1) surface water facilities (2) a regional facility to comply with any regulatory requirement; (3) payment of extraordinary expenses of repairing or maintaining the regional facilities; or (4) a permanent wastewater treatment plant.

In 2009, the Master District (on behalf of the participants) entered into a utility contract with Sienna RM with for the purposes of amending and supplementing the Sienna RM Regional Contract (the "Utility Contract"). Pursuant to the terms of the Utility Contract, the parties agreed that the Master District will construct and finance the regional water, sewer, drainage, road and park facilities that serve the service area. Once constructed, the Master District will convey the regional water, sewer and drainage facilities (other than interim wastewater treatment facilities) to Sienna RM for ownership, operation and maintenance. Upon conveyance, the Master District is not obligated to pay connection charges in order to receive water and sewer service from Sienna RM. The Master District will pay monthly operations charges to Sienna RM on behalf of the participants for their pro-rata share of operation and maintenance expenses and will charge the participating districts for their pro-rata share of the monthly operating and maintenance expenses.

The Master District currently has purchased capacity in water and wastewater plants owned by Sienna RM and receives surface water from the City of Missouri City.

**Note 10 – Contracts with Sienna Regional Municipal Utility District (continued)**

*Sienna RM Debt*

Sienna RM is authorized to issue bonds for the limited purpose of acquiring and constructing certain facilities needed to provide services to Sienna. The Master District shall be obligated to contribute to the payment of Sienna RM's debt service requirements based on its allocated share of the debt until such time as the bonds have been repaid. The Master District shall charge each participating district its prorate share based on assessed values in each district.

On May 29, 2018, Sienna RM sold its $25,010,000 Series 2018 Contract Revenue Bonds to the Texas Water Development Board as part of a plan to finance construction of approximately $40 million in regional wastewater facilities. Additional financing for these facilities was obtained from cash contributions made by participating districts. The Master District's pro-rata share of total costs of the regional facilities is $12,695,000 which is funded through annual payments to Sienna RM by the Master District.

As of July 31, 2024, Sienna RM has $23,185,000 in contract revenue bonds outstanding and the Master District's share of said bonds is $12,695,000. Sienna RM bills the Master District in January of each year for Sienna RM's debt service payments due in May and November of that same year. During the current fiscal year, the Master District paid $677,691 to Sienna RM for Sienna RM's 2024 debt service requirements. The Master District's future annual obligation to Sienna RM for Sienna RM's debt service requirements (principal and interest) for each of the next five years and in five-year increments thereafter is as follows:

| Year | Total |
|---|---|
| 2025 | $ 681,295 |
| 2026 | 679,415 |
| 2027 | 677,085 |
| 2028 | 679,418 |
| 2029 | 681,270 |
| 2030-2034 | 3,393,697 |
| 2035-2039 | 3,393,980 |
| 2040-2044 | 3,393,976 |
| 2045-2048 | 2,715,475 |
| | $ 16,295,611 |

**Note 10 – Contracts with Sienna Regional Municipal Utility District (continued)**

*Joint Construction Agreement for Fire Facilities*

Sienna RM and the City entered into a fire protection agreement which establishes the terms and conditions for the construction of fire facilities to serve Sienna. The cost of the facilities was paid by the internal Sienna Districts served by the fire station on a pro-rata basis. Sienna RM and Sienna Municipal Utility District Nos. 2 and 3 contributed their pro-rata shares of the costs to Sienna RM. The District and Sienna Municipal Utility District Nos. 4, 5 and 6 ("Sienna South Districts") received a loan from Sienna Municipal Utility District No. 3 ("MUD 3") to fund their pro-rata share. MUD 3 advanced $2,076,000 to Sienna RM for the construction of the fire facilities.

Sienna RM and the Master District entered into an agreement whereby the Master District will reimburse Sienna RM on behalf of all the Sienna South Districts for the loan from MUD 3. Sienna RM has assigned the loan agreement to MUD 3. The Master District pays interest of 6% annually to MUD 3 and will fully reimburse MUD 3 upon the occurrence of a triggering event, as defined by the agreement, or by October 1, 2025, whichever comes first.

*Fire Protection Services*

On June 25, 2015, Sienna RM entered into the Operations Agreement for Fire Protection Services for Sienna (the "Operations Agreement") with the City. The Operations Agreement established the terms and conditions under which the City will provide fire protection services to Sienna and will be reimbursed for the cost of providing those services. Pursuant to the Operations Agreement, Sienna RM pays the City each month for one-twelfth the annual operating and capital costs of providing fire protection services. The City recalculates the cost every year in June. The District executed a Joinder and Third-Party Beneficiary to the Operations Agreement, whereby the District agreed to be bound by the terms and conditions of the Operations Agreement and to pay Sienna RM for its pro-rata share of operating costs and capital costs. As of July 31, 2024, the monthly charge is $21.50 per connection.

**Note 11 – Master District Contract with Sienna Municipal Utility District No. 5**

On May 13, 2013, the District, along with Sienna Municipal Utility District No. 4, Sienna Municipal Utility District No. 6, and Sienna Municipal Utility District No. 5, (as a participant) entered into a contract (the "Contract") with the Master District whereby the Master District agrees to provide or cause to be provided regional water, wastewater, drainage, roads, firefighting and park facilities to land within the participants' boundaries (or Service Area). Pursuant to the Utility Contract with Sienna RM, the water, wastewater and drainage facilities will be conveyed to Sienna RM for Sienna RM to own, operate and maintain such facilities to serve the Service Area. The Master District agrees to provide or cause to be provided road facilities to be conveyed to Fort Bend County to own, operate and maintain such roads.

**Note 11 – Master District Contract with Sienna Municipal Utility District No. 5 (continued)**

*Master District Debt*

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional facilities needed to provide services to all Participants. The District shall contribute to the regional payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all Participants. During the current year, the Master District issued $18,180,000 in Contract Revenue Bonds. As of July 31, 2024, the Master District has $76,685,000 in contract revenue bonds outstanding.

The Master District also has the option to finance the road and park facilities through connection charges which will be determined based on the number of estimated total connections to be constructed within the service area. As of July 31, 2024, the District has not paid any such connection charges.

*Monthly Connection Charges for Operating Expenses*

The Master District charges each participating district a monthly fee based on the unit cost per connection multiplied by the number of equivalent single-family connections reserved to the District. The monthly fee will also include those monthly operations from Sienna RM, pursuant to the Utility Contract.

*Operating and Maintenance Reserve*

The Master District Contract authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. The Master District shall adjust the reserve as needed, not less than annually. As of July 31, 2024, the District has not paid the Master District for its share of the operating and maintenance reserve.

*Summary of Charges*

For the fiscal year ended July 31, 2024, the District incurred the following costs pursuant to contracts with the Master District and Sienna RM:

- Monthly connection fees in the amount of $6,000;
- Monthly charges in the amount of $171 for Sienna RM's renewal and replacement fund, which was established by Sienna RM to provide funding to repair and replace aging Sienna RM facilities;
- Monthly charges for fire protection services in the amount of $427; and
- Contractual obligations for debt service requirements in the amount of $49,530, which consists of $43,657 for Master District bonds and $5,873 for the Master District's share of Sienna RM's contract revenue bonds.

**Note 12 – Agreements with City of Missouri City**

The developer in Sienna South (land included in Sienna MUD Nos. 4, 5, 6 & 7) has entered into the Sienna Joint Development Agreement with the City dated February 19, 1996, as amended by the eighth amendment dated July 15, 2013 (collectively, the "Development Agreement") which stipulates the City's regulatory authority over the development of Sienna South, establishes certain restrictions and commitments related to the development of Sienna South, sets forth detailed design and construction standards, stipulates a formula for determining the time of annexation of land within Sienna South by the City and identifies and establishes a master plan for the development of Sienna South. The development of all land within Sienna South is governed by the provisions of the Development Agreement.

The District has also entered into an amended and restated Strategic Partnership Agreement with the City dated July 15, 2013, which stipulates the City's regulatory authority over the District; stipulates a formula for determining the time of annexation of land within the District by the City and identifies and establishes a master plan for the development of the District. On October 5, 2020, the agreement was amended to authorize the annexation of the District for the sole, and limited purpose of providing fire protection services and to establish the City as the sole provider of such services to the District.

In both of the above agreements, the City agrees not to annex the property in any district before such time as: (i) at least 90% of the developable acreage within such district has been developed with water, wastewater treatment and drainage facilities; and (ii) the developer has been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement.

Under existing Texas law, since the Master District and each of the Participants lie wholly within the extraterritorial jurisdiction of the City of Missouri City, each Participant must conform to a City of Missouri City consent ordinance. The Participants and the City have entered into Strategic Partnership Agreements that govern the terms of annexation. The Master District may not be annexed until all Participants are annexed. In addition, without an agreement in place, no Participant may be annexed by the City of Missouri City without consent; however, under Texas Law, the City of Missouri City cannot annex territory within a district unless it annexes the entire district. If a Participant is annexed, the City of Missouri City will assume the Participant's assets and obligations (including the Participant's obligation under the Master District Contract) and dissolve the Participant within ninety (90) days.

In the Strategic Partnership Agreements, the City and Participants agreed that a component of the Participants' tax rate is for the Contract Tax Payments pursuant to the Master District Contract; and the other component of the Participants' tax rate is to administer, operate, and maintain the internal District facilities "Internal Facilities Tax". To the extent permitted by law, the Participants agree that for so long as they have debt outstanding, the Internal Facilities Tax will never be less than the City's ad valorem tax rate, unless specifically consented to by the City.

## Note 13 – Risk Management

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

## Note 14 – Economic Dependency

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

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## Required Supplementary Information

***Sienna Municipal Utility District No. 7***
***Required Supplementary Information - Budgetary Comparison Schedule - General Fund***
***For the Year Ended July 31, 2024***

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Water service | $ 3,600 | $ 2,933 | $ (667) |
| Sewer service | 6,700 | 1,219 | (5,481) |
| Property taxes | 101,740 | 157,235 | 55,495 |
| Penalties and interest | | 180 | 180 |
| Tap connection and inspection | 61,200 | 16,525 | (44,675) |
| Fire protection fees | 860 | | (860) |
| Surface water fees | 4,256 | 2,546 | (1,710) |
| Total Revenues | 178,356 | 180,638 | 2,282 |
| **Expenditures** | | | |
| Current service operations | | | |
| Professional fees | 52,500 | 68,044 | (15,544) |
| Contracted services | 63,800 | 47,766 | 16,034 |
| Repairs and maintenance | 5,000 | 17,757 | (12,757) |
| Surface water | 3,870 | 1,955 | 1,915 |
| Administrative | 13,560 | 28,820 | (15,260) |
| Other | 3,736 | 30 | 3,706 |
| Intergovernmental | | | |
| Master District connection charges | 6,236 | 6,000 | 236 |
| Facilities renewal and replacement | 386 | 171 | 215 |
| Fire protection services | 860 | 427 | 433 |
| Contractual obligations | 54,000 | 49,530 | 4,470 |
| Total Expenditures | 203,948 | 220,500 | (16,552) |
| **Revenues Under Expenditures** | (25,592) | (39,862) | (14,270) |
| **Other Financing Sources** | | | |
| Developer advances | 25,592 | 63,592 | 38,000 |
| **Net Change in Fund Balance** | | 23,730 | 23,730 |
| **Fund Balance** | | | |
| Beginning of the year | (14,437) | (14,437) | |
| **End of the year** | $ (14,437) | $ 9,293 | $ 23,730 |

**Budgets and Budgetary Accounting**

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

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# Texas Supplementary Information

***Sienna Municipal Utility District No. 7***
***TSI-1. Services and Rates***
***July 31, 2024***

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

| | | | |
|---|---|---|---|
| [X] Retail Water | [ ] Wholesale Water | [ ] Solid Waste / Garbage | [X] Drainage |
| [X] Retail Wastewater | [ ] Wholesale Wastewater | [ ] Flood Control | [ ] Irrigation |
| [ ] Parks / Recreation | [ ] Fire Protection | [X] Roads | [ ] Security |

[X] Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

[ ] Other (Specify): _____

2. Retail Service Providers

a. Retail Rates for a 1" meter (or equivalent):

| | Minimum Charge | Minimum Usage | Flat Rate (Y / N) | Rate per 1,000 Gallons Over Minimum Usage | Usage Levels |
|---|---|---|---|---|---|
| Water: | $ 24.60 | 10,000 | N | $ 2.25 | 10,001 to 20,000 |
| | | | | $ 2.75 | 20,001 to no limit |
| Wastewater: | $ 45.94 | - 0 - | Y | | to |
| Surface water: | $ 2.84 | 1,000 | N | $ 2.42 | 0 to no limit |

District employs winter averaging for wastewater usage? [ ] Yes [X] No

Total charges per 10,000 gallons usage: Water $ 73.25 Wastewater $ 45.94

b. Water and Wastewater Retail Connections:

| Meter Size | Total Connections | Active Connections | ESFC Factor | Active ESFC'S |
|---|---|---|---|---|
| Unmetered | | | x 1.0 | |
| less than 3/4" | 1 | 1 | x 1.0 | 1 |
| 1" | 9 | 9 | x 2.5 | 23 |
| 1.5" | | | x 5.0 | |
| 2" | 1 | 1 | x 8.0 | 8 |
| 3" | | | x 15.0 | |
| 4" | | | x 25.0 | |
| 6" | | | x 50.0 | |
| 8" | | | x 80.0 | |
| 10" | | | x 115.0 | |
| Total Water | 11 | 11 | | 32 |
| Total Wastewater | 10 | 10 | x 1.0 | 10 |

See accompanying auditor's report.

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

| | | |
|---|---|---|
| Gallons purchased from Sienna Regional MUD: | 1,251,000 | Water Accountability Ratio: (Gallons billed / Gallons pumped) |
| Gallons billed to customers: | 1,251,000 | 100.00% |

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

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

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

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

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

5. Location of District

Is the District located entirely within one county? Yes [X] No [ ]

County(ies) in which the District is located: Fort Bend County

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

City(ies) in which the District is located: _____

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

Entirely [X] Partly [ ] Not at all [ ]

ETJs in which the District is located: City of Missouri City

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

If Yes, by whom? _____

See accompanying auditor's report.

***Sienna Municipal Utility District No. 7***
***TSI-2 General Fund Expenditures***
***For the Year Ended July 31, 2024***

| | | |
|---|---|---|
| Professional fees | | |
| Legal | $ | 56,824 |
| Engineering | | 11,220 |
| | | 68,044 |
| Contracted services | | |
| Bookkeeping | | 25,194 |
| Operator | | 348 |
| Inspection fees | | 11,068 |
| Tax collection fees | | 11,156 |
| | | 47,766 |
| Repairs and maintenance | | 17,757 |
| Surface water | | 1,955 |
| Administrative | | |
| Directors fees | | 11,934 |
| Printing and office supplies | | 1,504 |
| Other | | 15,382 |
| | | 28,820 |
| Other | | 30 |
| Intergovernmental | | |
| Master District connection charges | | 6,000 |
| Facilities renewal and replacement | | 171 |
| Fire protection services | | 427 |
| Contractual obligations | | 49,530 |
| | | 56,128 |
| Total expenditures | $ | 220,500 |

See accompanying auditor's report.

***Sienna Municipal Utility District No. 7***
***TSI-4. Taxes Levied and Receivable***
***July 31, 2024***

| | Maintenance Taxes |
|---|---|
| 2023 Original Tax Levy | $ 71,479 |
| Adjustments | 85,868 |
| Adjusted Tax Levy | 157,347 |
| | |
| Tax collections: | |
| Current year | 157,289 |
| | |
| Taxes Receivable, End of Year | $ 58 |
| | |
| Taxes Receivable, By Years | |
| 2023 | $ 58 |

| | 2023 |
|---|---|
| Property Valuations: | |
| Land | $ 14,976,990 |
| Personal Property | 180,186 |
| Exemptions | (171,692) |
| Total Property Valuations | $ 14,985,484 |
| | |
| Tax Rates per $100 Valuation: | |
| Maintenance tax rates | $ 1.05 |
| | |
| Adjusted Tax Levy: | $ 157,347 |
| | |
| Percentage of Taxes Collected to Taxes Levied ** | 99.96% |

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on November 3, 2009
* Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on November 3, 2009
** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditor's report.

***Sienna Municipal Utility District No. 7***
***TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund***
***For the Last Five Fiscal Periods***

| | Amounts | | | | |
|---|---|---|---|---|---|
| | 2024 | 2023** | 2022** | 2021** | 2020** |
| Revenues | | | | | |
| Water service | $ 2,933 | $ - | $ - | $ - | $ - |
| Sewer service | 1,219 | | | | |
| Property taxes | 157,235 | | | | |
| Penalties and interest | 180 | | | | |
| Surface water fees | 2,546 | | | | |
| Tap connection and inspection | 16,525 | | | | |
| Investment earnings | | 461 | | 18 | 53 |
| Total Revenues | 180,638 | 461 | | 18 | 53 |
| | | | | | |
| Expenditures | | | | | |
| Current service operations | | | | | |
| Professional fees | 68,044 | 36,342 | 23,709 | 29,106 | 10,695 |
| Contracted services | 47,766 | 18,581 | 9,646 | 9,125 | 6,780 |
| Repairs and maintenance | 17,757 | | | | |
| Surface water | 1,955 | | | | |
| Administrative | 28,820 | 14,408 | 7,177 | 6,496 | 2,120 |
| Other | 30 | 5,976 | 2,357 | 3,488 | 1,650 |
| Intergovernmental | | | | | |
| Master District connection charges | 6,000 | | | | |
| Facilities renewal and replacement | 171 | | | | |
| Fire protection services | 427 | | | | |
| Contractual obligations | 49,530 | 45,786 | 62,962 | 48,041 | 55,167 |
| Total Expenditures | 220,500 | 121,093 | 105,851 | 96,256 | 76,412 |
| | | | | | |
| Revenues Under Expenditures | $ (39,862) | $ (120,632) | $ (105,851) | $ (96,238) | $ (76,359) |
| | | | | | |
| Total Active Retail Water Connections | 11 | N/A | N/A | N/A | N/A |
| | | | | | |
| Total Active Retail Wastewater Connections | 10 | N/A | N/A | N/A | N/A |

*Percentage is negligible
** Unaudited

See accompanying auditor's report.

| Percent of Fund Total Revenues | | | | |
|---|---|---|---|---|
| 2024 | 2023** | 2022** | 2021** | 2020** |
| 2% | -% | -% | -% | -% |
| 1% | | | | |
| 87% | | | | |
| * | | | | |
| 1% | | | | |
| 9% | | | | |
| | - | | - | - |
| 100% | - | - | - | - |
| | | | | |
| | | | | |
| 38% | - | - | - | - |
| 26% | - | - | - | - |
| 10% | | | | |
| 1% | | | | |
| 16% | - | - | - | - |
| * | - | - | - | - |
| | | | | |
| 3% | | | | |
| * | | | | |
| * | | | | |
| 27% | - | - | - | - |
| 121% | - | - | - | - |
| | | | | |
| (21%) | - | - | - | - |

***Sienna Municipal Utility District No. 7***
***TSI-8. Board Members, Key Personnel and Consultants***
***For the Year Ended July 31, 2024***

| | |
|---|---|
| Complete District Mailing Address: | 3200 Southwest Freeway, Suite 2600 Houston, TX 77027 |
| District Business Telephone Number: | (713) 800-8069 |
| Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054): | May 21, 2024 |
| Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.0600) | $ 7,200 |

| Names: | Term of Office (Elected or Appointed) or Date Hired | Fees of Office Paid * | Expense Reimburse-ments | Title at Period End |
|---|---|---|---|---|
| Board Members | | | | |
| Robert Wempe | 06/22 - 05/26 | $ 2,431 | $ - | President |
| Michael Winkler | 05/22 - 05/26 | 1,989 | | Vice President |
| Carlotta Baird | 05/24 - 05/28 | 2,652 | 204 | Secretary |
| Matthew Brollier | 05/24 - 05/28 | 2,210 | | Assistant Vice President |
| Nikki-Jean Owen | 05/22 - 05/26 | 2,652 | | Assistant Secretary |
| Consultants | | Amounts Paid | | |
| Allen Boone Humphries Robinson LLP<br>*General legal fees* | 2004 | $ 70,484 | | Attorney |
| Si Environmental, LLC | 2012 | 14,478 | | Operator |
| Municipal Accounts & Consulting, L.P. | 2018 | 28,116 | | Bookkeeper |
| Tax Tech, Inc. | 2018 | 11,600 | | Tax Collector |
| Fort Bend Central Appraisal District | Legislation | | | Property Valuation |
| Perdue, Brandon, Fielder, Collins & Mott, LLP | 2023 | | | Delinquent Tax Attorney |
| LJA Engineering, Inc. | 2000 | 11,015 | | Engineer |
| McGrath & Co., PLLC | 2024 | | | Auditor |
| Robert W. Baird & Co. Incorporated | 2015 | | | Financial Advisor |

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

See accompanying auditor's report.

**APPENDIX C**

**Financial Statements of the Developer**

# Toll-GTIS Sienna Holdings LLC

## Independent Auditor's Report, Consolidated Financial Statements

October 31, 2024 and 2023

**Toll-GTIS Sienna Holdings LLC**
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**October 31, 2024 and 2023**


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Forvis Mazars, LLP
501 Office Center Drive, Suite 300
Fort Washington, PA 19034
forvismazars.us

# Independent Auditor's Report

Members
Toll-GTIS Sienna Holdings LLC
Fort Washington, Pennsylvania

## *Opinion*

We have audited the consolidated financial statements of Toll-GTIS Sienna Holdings LLC, (Company), which comprise the consolidated balance sheet as of October 31, 2024, and the related consolidated statements of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements above present fairly, in all material respects, the financial position of the Company as of October 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Prior Year Audited by Other Auditors*

The 2023 financial statements were audited by other auditors, and their report thereon, dated January 26, 2024, expressed an unmodified opinion.

## *Responsibilities of Management for the Consolidated Financial Statements*

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

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

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

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

In performing an audit in accordance with GAAS, we:

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

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

Forvis Mazars, LLP

**Fort Washington, Pennsylvania**
**February 21, 2025**

**Toll-GTIS Sienna Holdings LLC**
**Consolidated Balance Sheets**
**October 31, 2024 and 2023**

| | 2024 | 2023 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 3,049,975 | $ 10,972,504 |
| Deposits held in escrow | 6,403,787 | 6,604,379 |
| Inventory | 55,993,192 | 71,761,311 |
| Municipal utility district receivables | 113,086,707 | 109,997,851 |
| Deferred tax asset | 60,386 | 69,031 |
| Other assets | 118,989 | 347,644 |
| **Total Assets** | $ 178,713,036 | $ 199,752,720 |
| **LIABILITIES AND MEMBERS' EQUITY** | | |
| Construction loan payable, net of debt issuance costs of $164,552 - 2024 and $202,907 - 2023 | $ 1,778,494 | $ 23,450,687 |
| Deposits on land sales | 6,403,787 | 6,604,379 |
| Accounts payable and accrued expenses, including retainage payable of $3,380,417 - 2024 and $2,684,557 - 2023 | 16,177,285 | 19,568,592 |
| Deferred revenue | 56,977,599 | 70,835,759 |
| Due to affiliates | 251,305 | 591,843 |
| **Total Liabilities** | 81,588,470 | 121,051,260 |
| **Members' Equity** | 97,124,566 | 78,701,460 |
| **Total Liabilities and Members' Equity** | $ 178,713,036 | $ 199,752,720 |

**Toll-GTIS Sienna Holdings LLC**
**Consolidated Statements of Operations**
**Years Ended October 31, 2024 and 2023**

| | 2024 | 2023 |
|---|---|---|
| **Revenues** | $ 68,546,005 | $ 57,260,239 |
| **Expenses** | | |
| Cost of revenues | 35,532,212 | 26,193,337 |
| Selling, general, and administrative expenses | 1,310,315 | 1,382,940 |
| **Total Expenses** | 36,842,527 | 27,576,277 |
| **Income From Operations** | 31,703,478 | 29,683,962 |
| **Other Income** | 4,995,164 | 3,381,835 |
| **Net Income Before Income Taxes** | 36,698,642 | 33,065,797 |
| **Income Tax Expense** | 275,536 | 243,981 |
| **Net Income** | $ 36,423,106 | $ 32,821,816 |

**Toll-GTIS Sienna Holdings LLC**
**Consolidated Statements of Changes in Members' Equity**
**Years Ended October 31, 2024 and 2023**

| | Toll Sienna Member LLC | GTIS-Sienna LLC | Total |
|---|---|---|---|
| **Balance at October 31, 2022** | $ 65,639,822 | $ 65,639,822 | $ 131,279,644 |
| Members' distributions | (43,963,800) | (41,436,200) | (85,400,000) |
| Net income | 16,410,908 | 16,410,908 | 32,821,816 |
| **Balance at October 31, 2023** | 38,086,930 | 40,614,530 | 78,701,460 |
| Members' distributions | (9,900,000) | (8,100,000) | (18,000,000) |
| Net income | 28,308,958 | 8,114,148 | 36,423,106 |
| **Balance at October 31, 2024** | $ 56,495,888 | $ 40,628,678 | $ 97,124,566 |

**Toll-GTIS Sienna Holdings LLC**
**Consolidated Statements of Cash Flows**
**Years Ended October 31, 2024 and 2023**

| | 2024 | 2023 |
|---|---|---|
| **Operating Activities** | | |
| Net income | $ 36,423,106 | $ 32,821,816 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Deferred tax expense | 8,645 | 2,333 |
| Changes in operating assets and liabilities | | |
| Inventory | 20,009,476 | 7,810,952 |
| Municipal utility district receivables | (3,088,856) | (15,990,080) |
| Other assets | 228,655 | 75,179 |
| Accounts payable and accrued expenses | (3,391,307) | (6,337,405) |
| Deposits on land sales | - | (100,000) |
| Deferred revenue | (13,858,160) | 32,441,504 |
| Due to affiliates | (340,538) | 282,185 |
| **Net Cash Provided by Operating Activities** | 35,991,021 | 51,006,484 |
| **Financing Activities** | | |
| Proceeds from construction loan payable | 62,099,280 | 76,791,103 |
| Construction loan repayments | (87,707,230) | (84,376,200) |
| Members' distributions | (18,000,000) | (85,400,000) |
| Debt issuance costs | (305,600) | (497,700) |
| **Net Cash Used in Financing Activities** | (43,913,550) | (93,482,797) |
| **Net Decrease in Cash and Cash Equivalents** | (7,922,529) | (42,476,313) |
| **Cash and Cash Equivalents, Beginning of Period** | 10,972,504 | 53,448,817 |
| **Cash and Cash Equivalents, End of Period** | $ 3,049,975 | $ 10,972,504 |
| **Supplemental Cash Flow Disclosure** | | |
| Cash paid for income taxes | $ 228,466 | $ 204,213 |
| **Supplemental Noncash Activity** | | |
| Capitalized interest included in inventory and construction loan payable | $ 3,897,401 | $ 3,889,345 |
| Amortization of debt issuance costs to inventory | 343,956 | 355,650 |

## Note 1. Organization

The accompanying consolidated financial statements include the accounts of Toll-GTIS Sienna Holdings LLC (Company) and its wholly owned subsidiary Toll-GTIS Property Owner LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company was formed on December 4, 2013 under the laws of the State of Delaware and commenced operations on December 10, 2013. The Company is a joint venture between Toll Sienna Member LLC (Toll) and GTIS-Sienna LLC (GTIS) (collectively, the Members). The Limited Liability Company Operating Agreement (LLC Agreement) provides that the Company will continue until the earlier of: December 31, 2063, a decision pursuant to a Member Consent to dissolve and subsequently terminate the Company, or the sale, transfer, or disposition of all or substantially all of the assets and the distribution of all proceeds thereof.

Allocations of net income to Members are made using the hypothetic liquidation at book value (HLBV) method. Under the HLBV method, net income is allocated to each member based on the change in the member's claim on the net assets of the Company, if the Company were to liquidate all assets and liabilities at book value as of the balance sheet date and distribute any remaining cash to the Members in accordance with the terms of the LLC Agreement.

In the current year, the Company re-allocated net income from prior years using the HLBV method to adjust each individual Member's ending equity balance to reflect the terms of the LLC Agreement. The impact of the re-allocation between Members was $7,162,118.

Distributions are made in accordance with the percentage interests of the Members until a specified IRR is achieved by GTIS. All distributions beyond the achieved specified IRR provides for promoted returns to Toll, which began in June 2023.

The Company was formed to acquire approximately 3,700 acres of land located in Fort Bend County, Texas (Property) and to develop the Property into approximately 7,400 lots and commercial property for sale to Toll and other third-party home builders (Project). As of October 31, 2024, the Company has approximately 2,800 lots remaining to be sold.

## Note 2. Summary of Significant Accounting Policies

### *Use of Estimates*

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

### *Cash and Cash Equivalents*

The Company considers all highly liquid investments with original maturities of three months or less, when purchased, to be cash equivalents. Generally, the Company's cash and cash equivalents are in excess of the Federal Deposit Insurance Corporation insured limits. The Company places its cash and cash equivalents with major financial institutions, and management does not believe the Company is exposed to significant credit risk.

### *Inventory*

Inventory is stated at cost unless an impairment exists, in which case it is written down to fair value in accordance with ASC 360, *Property, Plant, and Equipment* (ASC 360). In addition to land and land development, costs including development services fees, real estate taxes, interest, and direct overhead costs related to the development are capitalized to inventory beginning with the commencement of development and ending with the completion of development. For the years ended October 31, 2024 and 2023, the Company capitalized interest of $3,897,401 and $3,889,345, respectively, to inventory.

Since inventory is considered a long-lived asset under U.S. GAAP, the Company is required, under ASC 360, to regularly review the carrying value of its inventory whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets is determined by comparing the estimated undiscounted net cash flows of the operations related to the assets to their carrying amount. An impairment loss would be recognized when the carrying amount of the assets exceeds the estimated undiscounted net cash flows. The impairment loss, if any, would be measured by the amount that the carrying value of the Project exceeds its fair value. Estimates of fair value would be based on valuation techniques including the present value of future cash flows.

The estimates used in the determination of the estimated cash flows and fair value of inventory are based on factors known to the Company at the time such estimates are made and its expectations of future operations and economic conditions. Should the estimates or expectations used in determining estimated fair value deteriorate in the future, the Company may be required to recognize impairment charges related to its inventory.

At October 31, 2024 and 2023, the Company believes that no impairment of value has occurred and that all capitalized costs are recoverable.

Approximately 38% and 29% of the additions to inventory and municipal utility district receivables for the year ended October 31, 2024 and 2023 were from three and two vendors, respectively. Accounts payable included $4,476,334, and retainage payable included $1,865,687 due to these three vendors as of October 31, 2024. Accounts payable included $2,554,536, and retainage payable included $420,523 due to these vendors as of October 31, 2023.

### *Deposits on Land Sales*

Deposits on land sales consist of amounts collected by the Company held in escrow on land under agreement of sale, but not yet delivered. These contract liabilities totaled $6,403,788 and $6,604,379 at October 31, 2024 and 2023, respectively. Of the outstanding deposits held as of October 31, 2022, of $6,792,539, the Company recognized approximately $3,978,287 in revenues during the fiscal year ended October 31, 2023. Of the outstanding deposits held as of October 31, 2023, the Company recognized approximately $1,579,220, in revenues during the fiscal year ended October 31, 2024.

### *Debt Issuance Costs*

Costs incurred to obtain the construction loan are amortized over the terms of the related debt. The Company reports such costs as a direct deduction from the face amount of the related debt.

Debt issuance costs are amortized on a straight-line basis (which is not materially different from the effective interest method) to inventory over the life of the loan.

### *Municipal Utility District Receivables*

Certain development costs are reimbursable through the creation of Municipal Utility Districts (MUDs), which are separate political subdivisions authorized by the Texas Constitution and governed by the Texas Commission on Environmental Quality (TCEQ). MUDs are formed to provide municipal water, waste water, drainage services, recreational facilities, and roads (Reimbursable Infrastructure) to those areas where they are currently unavailable

through the regular city services. The Company will advance funds for the development of the Reimbursable Infrastructure, which must be designed, competitively bid, and constructed in accordance with TCEQ requirements.

The Company initiated the reimbursement process by filing the application for the formation of the MUDs. Upon approval by the TCEQ, a board of directors was elected for the MUD and given the authority to issue ad valorem tax bonds and the authority to tax residents. MUD bond sale proceeds will be used to reimburse the Company for its costs incurred related to the Reimbursable Infrastructure, plus interest, if applicable. MUD taxes paid by residents will be used to pay the bonds debt service and the operating expenses of the MUD. The Company estimates the costs it believes will be eligible for reimbursement, which is presented on the accompanying consolidated balance sheets as Municipal Utility District receivables. As the MUD process progresses, estimates of reimbursable costs may change. Any changes to reimbursable costs will be allocated to the remaining inventory. At October 31, 2024 and 2023 the Company estimated it had incurred costs it believes to be reimbursable of $113,086,707 and $109,997,851, respectively. The Company has been reimbursed $232,329,974, from inception through October 31, 2024.

### *Revenue and Cost Recognition*

The Company's revenues are primarily generated from lot sales to third-party builders and, in certain instances, parcel sales to third parties for commercial purposes. The Company defers substantially all of its revenue and cost of revenues at the time of each lot sale closing due to the existence of repurchase options within such agreements, and subsequently recognizes the revenues for such sales when the related repurchase option expires. At October 31, 2024 and 2023, the Company had deferred revenue of $55,833,611 and $69,314,190, respectively, related to such activity.

Land, land development, construction, and related costs, both incurred and to be incurred in the future, are being amortized to the cost of revenues on the relative sales value basis. Changes in estimated expected future sales revenue or costs after land has been conveyed to a buyer will be allocated to the remaining land.

The Company collects a marketing fee at the time of closing from Toll and other third party home builders. This fee is calculated as 1% of estimated home builder revenue from lots acquired from the Company. The Company amortizes this fee over 12 months, the estimated period over which Toll and other third party home builders are expected to construct and settle homes on those lots. For the years ended October 31, 2024 and 2023, the Company collected $2,266,120 and $3,485,750 of marketing fees, of which $1,143,988 and $1,521,569 respectively, was deferred.

### *Income Taxes*

The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes* (ASC 740). Deferred tax assets and liabilities are recorded based on temporary differences between the amounts reported for financial reporting purposes and the amounts reported for income tax purposes. In accordance with the provisions of ASC 740, the Company assesses the realizability of its deferred tax assets and records net deferred tax assets to the extent the assets are more-likely-than-not to be realized. Furthermore, the Company recognizes the financial statement effect of its tax positions that are more-likely-than-not, based upon the technical merits of the position, to be sustained upon examination.

In conformity with the Internal Revenue Code and applicable state and local tax statutes, taxable income or loss of the Company is required to be reported in the tax returns of the Members in accordance with the terms of the LLC Agreement. The Company's tax status as a pass-through entity is based on its legal status as a limited liability company taxed as a partnership. Therefore, the Company is not required to take any tax positions in order to qualify as a pass-through entity. Accordingly, no provision has been made in the accompanying consolidated financial statements for any federal, state, or local income taxes, except for the Company's activities in Texas discussed in Note 4, Income Taxes.

The Company's policy for penalties and interest assessed by taxing authorities is to include them as a component of the provision for income taxes on the Consolidated Statements of Operations. For the years ended October 31, 2024 and 2023, the Company did not incur any interest or penalties.

The income tax returns of the Company are subject to examination by income taxing authorities, generally for three years after they are filed.

### *Advertising*

Advertising costs are expensed as incurred. Advertising costs amounted to approximately $369,367 and $391,911 for the years ended October 31, 2024 and 2023, respectively.

## Note 3. Construction Loan Payable, Net

The Construction loan payable, net, as of October 31, 2024 and 2023 was comprised of the following:

| | 2024 | 2023 |
|---|---|---|
| Construction loan payable | $ 1,943,046 | $ 23,653,594 |
| Less unamortized debt issuance costs | (164,552) | (202,907) |
| | $ 1,778,494 | $ 23,450,687 |

The Company is a party to a $60,000,000 Revolving Credit Agreement, (Loan) to fund the cost of land development and improvements.

On November 16, 2022, the Loan was amended whereby the maturity of the Loan was extended to February 16, 2023. Also, with this amendment the loan will accrue interest at the greater of 0.5% and the SOFR rate plus 3.85%. The Company incurred a fee of $75,000 in connection with this amendment which the Company capitalized and amortized over the remaining life of the Loan. These fees were fully amortized as of October 31, 2023.

On February 16, 2023, the Loan was amended whereby the maturity of the Loan was extended to May 16, 2023. The Company incurred a fee of $75,000 in connection with this amendment which the Company was capitalized and amortized over the remaining life of the Loan. These fees were fully amortized as of October 31, 2023.

On May 16, 2023, the Loan was amended whereby the maturity of the Loan was extended to May 16, 2024. The Company incurred a fee of $300,000 in connection with this amendment which the Company capitalized and amortized over the remaining life of the Loan. These fees were fully amortized as of October 31, 2024.

On May 16, 2024, the Loan was amended whereby the maturity of the Loan was extended to May 16, 2025. The Company incurred a fee of $300,000 in connection with this amendment which the Company capitalized and will amortize over the remaining life of the Loan.

The interest rate at October 31, 2024 was 8.69%. The Loan contains several repayment periods, during which pre-determined loan reduction payments must be made. Loan reduction payments in excess of the required minimum loan reduction amount in any one repayment period may be applied to a subsequent repayment period and reduce the amount then due. Failure to make the required loan reduction payments in two consecutive repayment periods constitutes an event of default, as defined in the Loan.

The Loan is collateralized by substantially all of the Company's assets. In addition, affiliates of the Members through common control have provided several guarantees securing the Loan, including joint and several guarantees relating to the lien-free completion of construction and certain environmental indemnities.

## Note 4. Income Taxes

The Company's activities in Texas are subject to the Texas Gross Margin Tax (GMT), an income tax levied on the Company based upon its gross margins allocated to Texas.

Income tax expense for the years ended October 31, 2024 and 2023, were as follows:

| | 2024 | 2023 |
|---|---|---|
| Current tax expense | $ 266,891 | $ 241,648 |
| Deferred tax expense | 8,645 | 2,333 |
| Income tax expense | $ 275,536 | $ 243,981 |

The Company's net deferred tax asset primarily consists of temporary differences arising from the percentage of completion method required to be used to recognize income for income tax purposes.

The Company recognizes interest and penalties related to unrecognized tax benefits pertaining to its activities in Texas as a component of the provision for income taxes on the Consolidated Statements of Operations. Accrued interest and penalties would be included in accounts payable and accrued expenses on the consolidated balance sheets. The Company has recorded no interest or penalties related to unrecognized tax benefits for the fiscal years ended October 31, 2024 and 2023, respectively.

## Note 5. Equity Transactions

The Members each initially contributed $40,600,000 of cash representing their share of the purchase price of the land and related expenses and working capital for the Company. Capital contributions may be called by the Members by written notice from time to time and to the extent determined by the Members. Additional contributions are subject to a Member Capital Limit of $46,000,000 per Member. If a Member fails to make a required capital contribution, the other Member may make the additional contribution and diminish the non-contributing Member's ownership interest.

## Note 6. Related Party Transactions

An affiliate of Toll has the option to purchase up to 1,750 lots from the Company at a fair market value, less a 6% discount. Toll acquired 58 and 193 lots during the years ended October 31, 2024 and 2023, of which $6,649,240 and $25,083,449 was deferred by the Company at October 31, 2024 and 2023, since the related repurchase agreements had not yet expired. As of October 31, 2024, an affiliate of Toll has a remaining option to purchase up to 1,137 lots.

In accordance with the LLC Agreement, GTIS is entitled to receive an oversight fee of $200,000 per annum, paid on a quarterly basis. The Members are also entitled to reimbursement for certain expenses incurred on behalf of the Company. For the years ended October 31, 2024 and 2023, the Company incurred $200,000 in each period in oversight fees and other reimbursable expenses, of which $166,667 and $416,666 was unpaid as of October 31, 2024 and 2023, respectively. Toll is entitled to receive an accounting fee in the amount of $12,500 per quarter. For each of the years ended October 31, 2024 and 2023, the Company incurred $50,000 of accounting fees, of which $50,000 and $100,000 were unpaid as of October 31, 2024 and 2023, respectively. Toll is also entitled to reimbursement for certain expenses incurred on behalf of the Company. Toll incurred expenses of $0 and $32,185, respectively for the years ended October 31, 2024 and 2023 on behalf of the Company. Total expenses unpaid to Toll were $34,638 and $75,177 as of October 31, 2024 and 2023, respectively.

## Note 7. Commitments and Contingencies

At October 31, 2024, the Company had outstanding agreements of sale to deliver 790 lots with an aggregate sales value of $80,971,003.

On January 14, 2014, the Company signed a Development Services Agreement with Johnson SS Management, LLC (Development Manager). The Development Manager manages and supervises the entitlement and development of the Property. The Development Services Agreement, unless earlier terminated, expires upon the sale of all lots owned by the Company and the receipt of all reimbursements due from the MUDs.

As compensation, the Development Manager receives a fee of 4% of the Gross Sales Revenue, as defined, up to a maximum of the sum of: (i) 4% of the gross sales revenue actually received by the Company from the sale of all portions of the property other than developed single family residential lots, and (ii) $3,000 per lot that is developed within the Project. The Company paid the Development Manager fees of $1,582,830 and $2,886,897, for the years ended October 31, 2024 and 2023, respectively, which are included in inventory on the consolidated balance sheets.

In January 2022, the Company entered into an office space lease agreement commencing in March 2022. The lease term is 48 months with two options to extend an additional 12 months at the Company's discretion and has not been factored into the calculation. This lease does not contain any residual value guarantees or material restrictive covenants. The Right of Use (ROU) asset is included in other assets and the corresponding liability is included in accounts payable and accrued expenses in the Company’s consolidated balance sheet. At October 31, 2024 and 2023, the ROU asset and lease liability was $108,129 and $185,982, respectively. Annual rent will be $82,880 for the year ending October 31, 2025, and $27,627 for the year ending October 31, 2026.

The lease does not provide a readily determinable implicit rate. Therefore, the Company has estimated the discount for the lease to determine the present value of the lease liability. The discount rate used to calculate the present value of the lease liability was 3.5%.

## Note 8. Subsequent Events

The Company has evaluated subsequent events through February 21, 2025, which is the date these consolidated financial statements were available for issuance.