

OFFICIAL STATEMENT DATED OCTOBER 28, 2025

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

The Bonds have NOT been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – NOT Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

S&P Global Ratings (BAM Insured) "AA"
See "MUNICIPAL BOND INSURANCE" and "RATING."

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 253

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

\$8,100,000
Unlimited Tax Road Bonds
Series 2025

Dated: November 1, 2025

Due: September 1, as shown on the inside cover

Interest Accrues from: Date of Delivery

Interest on the \$8,100,000 Fort Bend County Municipal Utility District No. 253 Unlimited Tax Road Bonds, Series 2025 (the "Bonds") accrues from the initial date of delivery (on or about November 20, 2025) (the "Date of Delivery") and is payable on March 1, 2026, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar (herein defined) to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are obligations solely of Fort Bend County Municipal Utility District No. 253 (the "District") and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Rosenberg, Texas; or any entity other than the District.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM")**.



The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road facilities to serve the District (the "Road System"). Voters in the District have authorized a total of \$422,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and \$84,400,000 for the purpose of refunding such bonds. Additionally, voters in the District have authorized \$790,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the "System"), \$158,000,000 for the purpose of refunding such bonds, \$85,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and \$17,000,000 for the purpose of refunding such bonds. Following the issuance of the Bonds, \$413,900,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and \$84,400,000 for the purpose of refunding such bonds; \$790,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and \$158,000,000 for the purpose of refunding such bonds; \$85,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and \$17,000,000 for the purpose of refunding such bonds, will remain authorized but unissued. The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District.

The Bonds are offered by the winning bidder for the Bonds (the "Initial Purchaser") subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Attorney General of the State of Texas and the opinion of The Muller Law Group, PLLC, Sugar Land, Texas, ("Bond Counsel"). Delivery of the Bonds is expected on or about November 20, 2025.

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

\$8,100,000 Fort Bend County Municipal Utility District No. 253 Unlimited Tax Road Bonds, Series 2025

\$3,200,000 Serial Bonds

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 34687L (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 34687L (b)
2027	\$ 180,000	6.625%	3.050%	AA0	2034 (c)	\$ 255,000	5.375%	3.500%	AH5
2028	190,000	6.625%	3.050%	AB8	2035 (c)	265,000	4.125%	3.700%	AJ1
2029	200,000	6.625%	3.050%	AC6	2036 (c)	280,000	4.125%	3.850%	AK8
2030	210,000	6.625%	3.150%	AD4	2037 (c)	295,000	4.125%	4.000%	AL6
2031 (c)	220,000	6.625%	3.250%	AE2	2038 (c)	310,000	4.125%	4.125%	AM4
2032 (c)	230,000	6.625%	3.350%	AF9	2039 (c)	325,000	4.125%	4.200%	AN2
2033 (c)	240,000	6.625%	3.400%	AG7					

\$4,900,000 Term Bonds

\$1,085,000 Term Bonds Due September 1, 2042 (c)(d), Interest Rate: 4.500% (Price: \$99.643) (a), CUSIP No. 34687L AR3 (b)

\$1,260,000 Term Bonds Due September 1, 2045 (c)(d), Interest Rate: 4.625% (Price: \$99.288) (a), CUSIP No. 34687L AU6 (b)

\$1,455,000 Term Bonds Due September 1, 2048 (c)(d), Interest Rate: 4.750% (Price: \$99.579) (a), CUSIP No. 34687L AX0 (b)

\$1,100,000 Term Bonds Due September 1, 2050 (c)(d), Interest Rate: 4.125% (Price: \$89.870) (a), CUSIP No. 34687L AZ5 (b)

-
- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. 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 have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the purchasers of the Bonds. None of the District, the Financial Advisor (herein defined), or the Initial Purchaser shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.
- (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. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representations, other than those contained 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 Purchaser.

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, 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.

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.

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

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

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.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
USE OF INFORMATION IN OFFICIAL STATEMENT..	1	Tax Collections and Foreclosure Remedies	12
SALE AND DISTRIBUTION OF THE BONDS	2	Limitation to Registered Owners' Remedies	12
Award of the Bonds	2	Operating Funds.....	12
Prices and Marketability	2	Vacant Developed Lots	12
Securities Laws	2	Increase in Costs of Building Materials	12
MUNICIPAL BOND INSURANCE.....	2	Bankruptcy Limitation to Registered Owners'	
Bond Insurance Policy	2	Rights	13
Build America Mutual Assurance Company	2	Environmental Regulations	13
RATING	4	Potential Impact of Natural Disaster	15
OFFICIAL STATEMENT SUMMARY	5	Potential Effects of Oil Price Volatility on the	
INTRODUCTION.....	10	Houston Area.....	15
RISK FACTORS	10	National Weather Service Atlas 14 Rainfall Study	15
General.....	10	Specific Flood Type Risks.....	16
Factors Affecting Taxable Values and Tax Payments		Marketability	16
.....	10	Continuing Compliance with Certain Covenants...	16

Future Debt	16	Maintenance and Operations Tax	34
Approval of the Bonds.....	16	Tax Exemption	34
Changes in Tax Legislation	17	Additional Penalties.....	34
Bond Insurance Risk Factors.....	17	Historical Collections.....	35
THE BONDS	17	Tax Rate Distribution	35
General.....	17	Analysis of Tax Base	35
Record Date for Interest Payment.....	18	Principal Taxpayers.....	35
Redemption Provisions.....	18	Tax Rate Calculations	36
Registration, Transfer and Exchange	19	Estimated Overlapping Taxes.....	36
Mutilated, Lost, Stolen or Destroyed Bonds	20	TAXING PROCEDURES	36
Replacement of Paying Agent/Registrar	20	Authority to Levy Taxes	36
Annexation and Consolidation.....	20	Property Tax Code and County-wide Appraisal	
Strategic Partnership Agreement	20	District.....	36
Source of Payment.....	20	Property Subject to Taxation by the District.....	37
Payment Record	21	Valuation of Property for Taxation	38
Authority for Issuance	21	District and Taxpayer Remedies	39
Issuance of Additional Debt.....	21	Levy and Collection of Taxes	39
Registered Owners' Remedies	22	Rollback of Operation and Maintenance Tax Rate	40
Legal Investment and Eligibility to Secure Public		District's Rights in the Event of Tax Delinquencies	
Funds in Texas	22		41
Defeasance.....	22	THE SYSTEM	42
BOOK-ENTRY-ONLY SYSTEM	23	General.....	42
USE AND DISTRIBUTION OF BOND PROCEEDS	25	Description of the System	42
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT ...	26	Historical Operations of the System	43
THE DISTRICT.....	27	LEGAL MATTERS	43
General.....	27	Legal Opinions.....	43
Location	27	No Material Adverse Change	44
Management of the District	27	No-Litigation Certificate.....	44
AGREEMENTS WITH CITY OF ROSENBERG.....	28	TAX MATTERS	44
THE DEVELOPERS AND PRINCIPAL LANDOWNERS		Opinion of Bond Counsel.....	44
.....	28	Alternative Minimum Tax	45
The Role of a Developer	28	Other Tax Matters	45
Description of the Developers and Principal		Original Issue Discount	45
Landowners	28	Bond Premium	46
Spur Development.....	28	NOT Qualified Tax-Exempt Obligations	46
Taylor Morrison.....	29	CONTINUING DISCLOSURE	46
DEVELOPMENT WITHIN THE DISTRICT.....	29	Annual Reports	46
General.....	29	Material Event Notices	46
Status of Development within the District.....	30	Availability of Information from EMMA	47
Homebuilders Active within the District	30	Limitations and Amendments	47
DISTRICT DEBT	31	Compliance with Prior Undertakings	47
Debt Service Requirement Schedule	31	OFFICIAL STATEMENT	48
DISTRICT FINANCIAL DATA	32	Preparation.....	48
Unlimited Tax Bonds Authorized but Unissued.....	33	Experts	48
Investment Authority and Investment Practices of		Updating of Official Statement.....	48
the District.....	33	Certification as to Official Statement	48
Estimated Direct and Overlapping Debt Statement		CONCLUDING STATEMENT.....	48
.....	33		
Debt Ratios	33	APPENDIX A - FINANCIAL STATEMENTS OF THE	
TAX DATA.....	34	DISTRICT	
General.....	34	APPENDIX B - SPECIMEN MUNICIPAL BOND	
Tax Rate Limitation	34	INSURANCE POLICY	

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover at a price of 97.003851% of par, resulting in a net effective interest rate to the District of 4.785295%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the Date of Delivery (herein defined) 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. Other than described in the Notice of Sale, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no 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.

Securities Laws

No registration statement relating to the Bonds has been filed with the SEC, as amended, 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.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of

income under Section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$503.3 million, \$258.1 million and \$245.2 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

RATING

The Bonds are expected to receive an insured rating of “AA” from S&P solely in reliance upon the issuance of the Policy for the Bonds by BAM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols “AAA” (the highest rating) through “D” (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The District is not aware of any ratings assigned to the Bonds other than the rating of S&P.

[Remainder of Page Intentionally Left Blank]

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

Description.....	The \$8,100,000 Fort Bend County Municipal Utility District No. 253 Unlimited Tax Road Bonds, Series 2025 (the "Bonds") are dated November 1, 2025, and mature on September 1 in the years and amounts set forth on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about November 20, 2025) ("Date of Delivery") at the rates per annum set forth on the inside cover and is payable on March 1, 2026, and each September 1 and March 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one (1) maturity. See "THE BONDS – General."
Redemption Provisions	The Bonds maturing on and after September 1, 2031, are subject to redemption, in whole or from time to time in part, at the option of the District beginning on September 1, 2030, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions – <i>Optional Redemption</i>." The Bonds maturing on September 1, 2027, through September 1, 2039, both inclusive, are serial bonds. The Bond maturing on September 1 in the years 2042, 2045, 2048 and 2050 are term bonds that are also subject to mandatory sinking fund redemption provisions set out under "THE BONDS – Redemption Provisions – <i>Mandatory Redemption</i>."
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 described 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 (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), 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 "BOOK-ENTRY-ONLY SYSTEM."
Source of Payment	The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within Fort Bend County Municipal Utility District No. 253 (the "District"). The Bonds are obligations solely of the District and are not obligations of the State of Texas ("Texas"); Fort Bend County, Texas (the "County"); the City of Rosenberg, Texas (the "City"); or any entity other than the District. See "THE BONDS – Source of Payment."
Authority for Issuance.....	The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road facilities to serve the District (the "Road System"). Voters in the

District have authorized a total of \$422,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and \$84,400,000 for the purpose of refunding such bonds. Additionally, voters in the District have authorized \$790,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the "System"), \$158,000,000 for the purpose of refunding such bonds, \$85,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and \$17,000,000 for the purpose of refunding such bonds. Following the issuance of the Bonds, \$413,900,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and \$84,400,000 for the purpose of refunding such bonds; \$790,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and \$158,000,000 for the purpose of refunding such bonds; \$85,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and \$17,000,000 for the purpose of refunding such bonds, will remain authorized but unissued.

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, and Chapter 7940A of the Texas Special District Local Laws Code, as amended; an election held within the District; and a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"). See "THE BONDS – Authority for Issuance" and "THE BONDS – Issuance of Additional Debt."

Use and Distribution of Bond

Proceeds	Proceeds from the sale of the Bonds will be used to reimburse the Developers (herein defined) for a portion of the improvements and related costs shown under "USE AND DISTRIBUTION OF BOND PROCEEDS." Additionally, proceeds from the sale of the Bonds will be used to pay developer interest, eighteen (18) months of capitalized interest, and other certain costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Municipal Bond Insurance	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
Rating.....	S&P Global Ratings (BAM Insured): "AA." See "RATING."
NOT Qualified Tax-Exempt Obligations	The District has NOT designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS – NOT Qualified Tax-Exempt Obligations."
General & Bond Counsel.....	The Muller Law Group, PLLC, Sugar Land, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Engineer	EHRA Engineering, Inc., Houston, Texas.
Paying Agent/Registrar	BOKF, NA, Dallas, Texas.

THE DISTRICT

The Issuer	The District was created by a special act of the Texas Legislature pursuant to House Bill No. 4642, 87 th Regular Session, effective June 15, 2021, now codified as Chapter 7940A of the Special District Local Laws Code. At the time of creation, the District encompassed 853.0 acres of land. The District was divided into two (2) municipal utility districts (Fort Bend County Municipal Utility District No. 253 and Fort Bend County Municipal Utility District No. 253B) as authorized by House Bill 4642 and pursuant to an Order Dividing the District Into Two Districts, dated January 30, 2023. The current acreage of the District is approximately 605.8284. See "THE DISTRICT – General."
Location	The District lies wholly within the County and the extra-territorial jurisdiction of the City. The District is approximately 5.5 miles west of the City and located south of Interstate Highway 59 between Isleib and Finney Vallet Roads. The District is accessed via Finney Vallet Road. See "THE DISTRICT – Location."
Developers and Principal Landowners	The original developer, Finney Vallet RD Owner LP ("Finney"), a Delaware limited partnership, developed Brookewater, Sections 1, 2, 3, 4, and 12. In April of 2025, Finney sold 681.20 acres of land, including approximately 441.20 acres within the District to Spur Brookewater Development, L.P., a Delaware limited partnership. Spur Brookewater Development, L.P. ("SB Development") is a special purpose entity for the purpose of developing land and marketing developed land within the District. Spur Brookewater Land, L.P. ("SB Land"), a Delaware limited partnership, is a special purpose entity for the purpose of holding raw land within the District. SB Development and SB Land are collectively referred to as "Spur Development." Spur Development is a thinly capitalized limited partnership whose assets consist primarily of the land in the District and the receivables due from the District for development costs. As of September 16, 2025, Spur Development owned approximately 555.13 acres. Spur Development is affiliated with Starwood Land, which is a land acquisition, development and financing company that operates as a joint venture between its parent company, Starwood Capital Group and Land Strategies Management. Taylor Morrison of Texas, Inc. ("Taylor Morrison") owns approximately 32.88 acres within the District, which it intends to self-develop within the District. Taylor Morrison is currently developing Brookewater, Sections 7 and 8. Spur Development and Taylor Morrison are collectively referred to herein as the "Developers." See "THE DEVELOPERS AND PRINCIPAL LANDOWNERS – Description of the Developers and Principal Landowners" and "DEVELOPMENT WITHIN THE DISTRICT."

Development within the District.....The District is being developed as the residential community known as Brookewater.

Brookewater, Sections 1-4, 9, 10, and 12 were developed by Spur Development. Spur Development is currently developing Brookewater, Section 11 (130 lots).

Brookewater, Section 7 is developed by Taylor Morrison.

To date, approximately 151.19 acres within the District have been developed as 702 single-family lots in Brookewater, Sections 1-4, 7, 9, 10, and 12. As of September 16, 2025, development within the District consisted of approximately 206 completed homes (approximately 149 occupied, 57 unoccupied homes), approximately 87 homes under construction, and approximately 409 vacant, developed lots. Approximately 30.28 acres are currently being developed as Section 11. The remainder of the District's total acreage consists of approximately 78.18 undevelopable acres and approximately 346.19 acres remaining for future development.

See "THE DEVELOPERS AND PRINCIPAL LANDOWNERS," "DEVELOPMENT WITHIN THE DISTRICT," and "THE DISTRICT."

Homebuilders Active within the District....Homebuilders active within the District include Ashton Woods; Brightland Homes, Chesmar Homes, David Weekley Homes, Highland Homes, Perry Homes, Taylor Morrison, and Westin Homes. The homes being marketed in the District range in price from approximately \$250,000 to over \$750,000. See "DEVELOPMENT WITHIN THE DISTRICT – Homebuilders Active Within the District."

RISK FACTORS

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, INCLUDING TAXES LEVIED BY THE DISTRICT AND THE PARTICIPANTS.

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASES SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION HEREIN ENTITLED "RISK FACTORS."

[Remainder of Page Intentionally Left Blank]

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2025 Assessed Valuation	\$ 53,947,378	(a)
(100% of the taxable value as of January 1, 2025)		
Estimated Assessed Valuation as of August 1, 2025.....	\$ 82,189,356	(b)
(100% of the estimated taxable value as of August 1, 2025)		
Direct Debt:		
The Bonds	\$ 8,100,000	
Total.....	\$ 8,100,000	
Estimated Overlapping Debt.....	\$ 4,833,377	(c)
Total Direct and Estimated Overlapping Debt	\$ 12,933,377	
Direct Debt Ratios:		
Based on the 2025 Assessed Valuation	15.01	%
Based on the Estimated Assessed Valuation as of August 1, 2025.....	9.86	%
Direct and Estimated Overlapping Debt Ratios:		
Based on the 2025 Assessed Valuation	23.97	%
Based on the Estimated Assessed Valuation as of August 1, 2025.....	15.74	%
Road System Debt Service Fund Balance (as of the Date of Delivery)	\$ 590,288	(d)
Operating Fund Balance (as of September 16, 2025)	\$ 242,536	(e)
2025 Tax Rate per \$100 of Assessed Valuation:		
Debt Service (System)	\$ 0.000	
Debt Service (Road).....	\$ 0.000	
Maintenance & Operations.....	\$ 1.500	
Total.....	\$ 1.500	
Average Annual Debt Service Requirement on the Bonds (2026–2050).....	\$ 556,232	
Maximum Annual Debt Service Requirement on the Bonds (2050)	\$ 588,306	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Bonds (2026–2050) at 95% Tax Collections:		
Based on the 2025 Assessed Valuation (\$53,947,378)	\$ 1.09	
Based on the Estimated Assessed Valuation as August 1, 2025 (\$82,189,356)	\$ 0.72	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Bonds (2050) at 95% Tax Collections:		
Based on the 2025 Assessed Valuation (\$53,947,378)	\$ 1.15	
Based on the Estimated Assessed Valuation as August 1, 2025 (\$82,189,356)	\$ 0.76	
Single-Family Homes (including 87 under construction) as of September 16, 2025.....	293	

-
- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2025, provided by the Appraisal District (herein defined). Such amount includes \$3,651,250 of uncertified assessed valuation of taxable property in the District as of January 1, 2025. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the assessed valuation of all taxable property located within the District as of August 1, 2025, and includes an estimate of valuations resulting from the construction of taxable improvements from January 1, 2025, through August 1, 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) Represents eighteen (18) months of capitalized interest which will be deposited into the Road System Debt Service Fund upon closing of the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund (herein defined). The funds in the Road System Debt Service Fund are pledged only to pay debt service on the Bonds and any additional bonds the District may hereafter issue for the Road System.
- (e) See "RISK FACTORS – Operating Funds."

OFFICIAL STATEMENT

relating to

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 253

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

\$8,100,000

Unlimited Tax Road Bonds

Series 2025

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 253 (the "District") of the \$8,100,000 Fort Bend County Municipal Utility District No. 253 Unlimited Tax Road Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, and Chapter 7940A of the Texas Special District Local Laws Code, as amended; an election held within the District; and a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"). See "THE BONDS – Authority for Issuance" and "THE BONDS – Issuance of Additional Debt."

Unless otherwise indicated, capitalized terms used herein have the same meaning assigned to such terms in the Bond Resolution.

Included herein are descriptions of the Bonds, the Developers (defined herein), 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 202 Century Square Boulevard, Sugar Land, Texas 77478, or during the offering period from the Financial Advisor (herein defined) at 4801 Woodway Drive, Suite 118-E, Houston, Texas 77056, upon payment of reasonable copying, mailing and handling charges.

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of Texas; Fort Bend County, Texas (the "County"); the City of Rosenberg, Texas (the "City"); or any entity other than the District, will be secured by the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District's obligations to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "THE BONDS – Source of Payment" and "RISK FACTORS – Bankruptcy Limitation to Registered Owners' Rights."

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the single-family housing industry in the City of Houston, Texas ("Houston"), metropolitan area. New single-family housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

Location and Access: The District is located in an outlying area of the Houston metropolitan area, within the extraterritorial jurisdiction of the City, approximately five and half (5.5) miles west of the City. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, the residential and commercial development within the District may be at a competitive disadvantage to

residential and commercial projects located closer to major urban centers or in a more developed state. See “THE DISTRICT – Location” and “DEVELOPMENT WITHIN THE DISTRICT.”

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 Houston 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 Developers in the sale of the 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 Developers will be implemented or, if implemented, will be successful.

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 herein under “TAX DATA – Principal Taxpayers,” the District’s principal taxpayers in 2025 own property located within the District which comprises approximately 33.28% of the District’s Assessed Valuation as of September 24, 2025. Spur Brookewater Development LP owns property located within the District which comprises approximately 14.57% of the District’s Assessed Valuation as of September 24, 2025. In the event that the Developers, principal landowners, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds 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 Resolution to maintain any specified amount of surplus in its interest and sinking fund. See “THE DEVELOPERS AND PRINCIPAL LANDOWNERS,” “TAX DATA – Principal Taxpayers,” and “TAXING PROCEDURES – Levy and Collection of Taxes.”

Developers’ Obligation to the District: The Developers have informed the District of the current plan to continue to develop land in the District for residential, commercial, and mixed-use purposes. However, the Developers are not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developers should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developers’ right to sell the land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on the any plans of the Developers. Failure to construct taxable improvements on developed lots and tracts and failure of the Developers to develop the land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developers will be or what effect, if any, such conditions may have on their collective and respective ability to pay taxes. See “TAX DATA – Principal Taxpayers,” “THE DEVELOPERS AND PRINCIPAL LANDOWNERS,” and “DEVELOPMENT WITHIN THE DISTRICT.”

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 2025 Assessed Valuation of all taxable property located within the District is \$53,947,378 and the estimated assessed valuation as of August 1, 2025, of all taxable property located within the District is \$82,189,356.

After issuance of the Bonds, the maximum annual debt service requirement on the Bonds is \$588,306 (2050) and the average annual debt service requirement on the Bonds is \$556,232 (2026-2050). Assuming no decrease to the District’s 2025 Assessed Valuation, debt service tax rates of \$1.15 and \$1.09 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Bonds, and the average annual debt service requirement on the Bonds, respectively. Assuming no decrease from the District’s estimated assessed

valuation as of August 1, 2025, debt service tax rates of \$0.76 and \$0.72 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Bonds, and the 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 proposed District tax rate, or to justify continued payment of taxes by property owners. For the 2025 tax year, the District has levied a total tax rate of \$1.50 per \$100 of assessed valuation. Such rate is composed entirely of a maintenance and operations tax rate of \$1.50 per \$100 of assessed valuation. See "DISTRICT DEBT," "TAX DATA," and "TAXING PROCEDURES."

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. See "TAXING PROCEDURES."

Limitation to Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners (herein defined) have the 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 Resolution does not specifically provide for remedies to protect and enforce the interest 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.

Operating Funds

The District has levied a 2025 maintenance tax of \$1.50 per \$100 of assessed valuation. The District's general fund balance on September 16, 2025 was \$242,536. Attaining and maintaining a positive Operating Fund balance will depend upon (1) continued development, (2) increased amounts of maintenance tax revenue, and (3) funds from bond issues. In the event that funds are not made available by the Developers, the District will be required to levy a maintenance tax at a rate sufficient (in combination with net revenues from the District's utility operations) to fund its operating expenses. Such a tax, when added to the District's debt service tax, may result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See "THE SYSTEM – Historical Operations of the System."

Vacant Developed Lots

As of September 16, 2025, approximately 409 developed lots within the District remained available for home construction. Failure of the Developers and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

Increase in Costs of Building Materials

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the Developers or homebuilders in the District to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developers or homebuilders.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners of the Bonds 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. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or has negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its right and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, enters an order granting relief from the stay or dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claims.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the U.S. Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district. A district cannot be placed into bankruptcy involuntarily.

Environmental Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—

has been designated a nonattainment area under two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

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

The HGB Area is currently designated as a “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 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 Polyfluoroalkyl 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 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District is currently working with the TCEQ to determine whether the District is subject to the MS4 Permit. If it is determined that the District is subject to the MS4 Permit requirements, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

Potential Impact of Natural Disaster

The District is located within 100 miles of the Texas Gulf Coast and, as it has in the past, could be impacted by wide-spread fires, earthquakes, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. 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 valuation of the District or an increase in the District’s tax rates. See “TAXING PROCEDURES – Valuation of Property of 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 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 such natural disasters.

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.

National Weather Service Atlas 14 Rainfall Study

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 interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. 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.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Marketability

The District has no understanding with the winning bidder for the Bonds (the “Initial Purchaser”) regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. 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 difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Continuing Compliance with Certain Covenants

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

Future Debt

Following the issuance of the Bonds, \$413,900,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities to serve the District (the “Road System”), and \$84,400,000 for the purpose of refunding such bonds; \$790,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the “System”), and \$158,000,000 for the purpose of refunding such bonds; \$85,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and \$17,000,000 for the purpose of refunding such bonds, will remain authorized but unissued and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. 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. See “THE BONDS – Issuance of Additional Debt.”

Pending approval by the Board, the District may submit a bond application to the TCEQ for the purpose of acquiring or constructing water, sewer, drainage, and parks and recreational facilities to serve the District. The amount of such bond issue is not expected to exceed \$10,000,000 and is anticipated to be delivered in the second quarter of 2026.

Following reimbursement with the proceeds of the Bonds, the District will owe the Developers approximately \$41,513,338 in reimbursable expenses for District projects, the funds for which were advanced by the Developers. See “THE SYSTEM” and “DEVELOPMENT WITHIN THE DISTRICT.”

Approval of the Bonds

The Attorney General of the State of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of the State 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.

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending, or future legislation.

Bond Insurance Risk Factors

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 provider of the Policy (the "Bond 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 "RATING."

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 nor the Initial Purchaser 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 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.

THE BONDS

General

The Bonds are dated November 1, 2025, and mature on September 1 in the years and amounts set forth on the inside cover. Interest on the Bonds accrues from the date of initial delivery (on or about November 20, 2025) (the "Date of Delivery") at the rates per annum set forth on the inside cover and is payable on March 1, 2026, and each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 of

principal amount or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent and registrar for the Bonds is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar").

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owner (the "Registered Owners") appearing on the registration and transfer books (the "Register") of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date (the "Record Date") and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of 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 when funds for the payment of such interest have been received. 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 registered owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

Redemption Provisions

Optional Redemption

The Bonds maturing on and after September 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2030, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption. The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than 30 days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as herein above stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one (1) or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

Mandatory Redemption

The Bonds maturing on September 1 in the years 2042, 2045, 2048 and 2050 are term bonds (the "Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

\$1,085,000 Term Bonds Maturing on September 1, 2042

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2040	\$ 345,000
September 1, 2041	\$ 360,000
September 1, 2042 (Maturity)	\$ 380,000

\$1,260,000 Term Bonds Maturing on September 1, 2045

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2043	\$ 400,000
September 1, 2044	\$ 420,000
September 1, 2045 (Maturity)	\$ 440,000

\$1,455,000 Term Bonds Maturing on September 1, 2048

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2046	\$ 460,000
September 1, 2047	\$ 485,000
September 1, 2048 (Maturity)	\$ 510,000

\$1,100,000 Term Bonds Maturing on September 1, 2050

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2049	\$ 535,000
September 1, 2050 (Maturity)	\$ 565,000

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

Registration, Transfer and Exchange

In the event the Book-Entry-Only System (herein defined) should be discontinued, the Bonds are transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. 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. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three (3) business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one (1) maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

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, 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 Paying Agent/Registrar), bond printing and legal fees in connection with any such replacement.

Replacement of Paying Agent/Registrar

Provisions are made in the Bond Resolution for replacement of the Paying Agent/Registrar by the District. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any Paying Agent/Registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as paying agent for the Bonds.

Annexation and Consolidation

The District lies within the extraterritorial jurisdiction of the City. Generally, under Texas law, the District may be annexed in whole, but not in part, by the City without the District's consent, in which case the City must assume the assets, functions and obligations of the District, including the Bonds. 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 percent of the land in the area, a petition has been signed by more than 50 percent 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 between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. No representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur.

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.

Strategic Partnership Agreement

The District and the City entered into a strategic partnership agreement, effective as of May 7, 2024 (the "SPA"). Pursuant to the SPA, which sets forth the terms of full purpose annexation, the City will not annex the property in the District until the earlier of (i) at least 90% of the developable acreage within the District has been developed with water, sanitary sewer, drainage, and paving ("Substantial Completion"), and the Developer has been reimbursed to the maximum extent permitted by the rules of the TCEQ for such facilities; (ii) prior to Substantial Completion if the City agrees that the Developer may advance funds for said facilities until Substantial Completion and the City will reimburse the Developer as allowed by the TCEQ; or (iii) May 7, 2054. If the District is annexed and dissolved, the City will assume the District's assets and obligations (including the Bonds). The City may also annex the District and permit it to continue to exist as a limited district for the purpose of continuing to pay the District's bonds and providing its services. 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 SPA allows for annexation for certain limited purposes such as the provision of certain municipal services. If such limited purpose annexation were to occur, the District would continue to retain all of its rights, powers, and authority, except the City's right to provide certain services.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form, and manner, and at the same time as other District taxes are assessed, levied, and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable

property within the District, sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any unlimited tax bonds hereafter issued. The Bonds are obligations of the District and are not the obligations of Texas; the County; the City; or any entity other than the District.

Payment Record

The Bonds are the first issuance of bonded indebtedness by the District. See “THE BONDS – Source of Payment.”

Authority for Issuance

The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the Road System. Voters in the District have authorized a total of \$422,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and \$84,400,000 for the purpose of refunding such bonds. Additionally, voters in the District have authorized \$790,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, \$158,000,000 for the purpose of refunding such bonds, \$85,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and \$17,000,000 for the purpose of refunding such bonds. Following the issuance of the Bonds, \$413,900,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and \$84,400,000 for the purpose of refunding such bonds; \$790,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and \$158,000,000 for the purpose of refunding such bonds; \$85,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and \$17,000,000 for the purpose of refunding such bonds, will remain authorized but unissued.

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapter 49 and 54 of the Texas Water Code; and Chapter 7940A of the Texas Special District Local Laws Code; an election held within the District; and the Bond Resolution adopted by the Board. See “THE BONDS – Authority for Issuance” and “THE BONDS – Issuance of Additional Debt.”

Issuance of Additional Debt

The District may issue additional bonds. Following the issuance of the Bonds, \$413,900,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and \$84,400,000 for the purpose of refunding such bonds; \$790,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, and \$158,000,000 for the purpose of refunding such bonds; \$85,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and \$17,000,000 for the purpose of refunding such bonds, will remain authorized but unissued.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District can issue park bonds payable from taxes, the following actions are required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District at the time of issuance; unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not more than three percent (3%) of the value of the taxable property in the District.

Pending approval by the Board, the District may submit a bond application to the TCEQ for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District. The amount of such bond issue is not expected to exceed \$10,000,000 and is anticipated to be delivered in the second quarter of 2026.

Following reimbursement with the proceeds of the Bonds, the District will owe the Developers approximately \$41,513,338 in reimbursable expenses for District projects, the funds for which were advanced by the Developers.

Based on present engineering cost estimates and on development plans provided by the Developers, in the opinion of the Engineer, following the issuance of the Bonds, the District will have adequate authorized but

unissued bonds to repay the Developers the remaining amounts owed for the existing financed facilities, and to finance the extension of the facilities to serve the remaining undeveloped land within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE SYSTEM," and "RISK FACTORS – Future Debt."

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have the 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 Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. See "RISK FACTORS – Limitation to Registered Owners' Remedies."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

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

Defeasance

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

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have

been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The 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 described 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 rating of AA+ from S&P Global Ratings. 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 system for the Bonds is discontinued.

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

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

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 DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of 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 Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Resolution will be given only to DTC.

USE AND DISTRIBUTION OF BOND PROCEEDS

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

<u>CONSTRUCTION COSTS</u>	<u>District's Share</u>
A. Developer Contribution Items	
1. Brookewater, Section Two	\$ 606,921
2. Brookewater, Section Four	1,211,639
3. Brookewater, Section Seven	707,495
4. Brookewater Collector Road Phase 1	1,127,634
5. Wallingford Park Drive Phase 3	1,140,507
6. Engineering & Geotechnical Materials Testing (11.22% of Items 1 - 5)	566,675
7. Geotechnical Study	6,620
8. Traffic Impact Analysis	75,000
9. Surveying	7,750
10. Land Acquisition	<u>1,003,576</u>
Total Developer Contribution Items	\$ 6,453,817
 B. District Items	
1. None	\$ —
Total District Items	\$ —
 TOTAL CONSTRUCTION COSTS (77.36% of BIR)	 \$ 6,453,817
 <u>NON-CONSTRUCTION COSTS</u>	
A. Legal Fees	\$ 192,000
B. Fiscal Agent Fees	162,000
C. Engineering Costs	30,000
D. Interest Costs	
1. Capitalized Interest	590,288
2. Developer Interest	354,266
E. Bond Discount	242,688
F. Bond Issuance Expenses	49,317
G. Attorney General Fees (0.10%)	8,100
H. Contingency (a)	<u>17,524</u>
TOTAL NON-CONSTRUCTION COSTS	\$ 1,646,183
TOTAL SYSTEM BOND ISSUE REQUIREMENT	\$ 8,100,000

(a) Represents the difference between the estimated and actual amount of bond discount and capitalized interest.

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 District's auditor.

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(September 2025)



THE DISTRICT

General

The District was created by a special act of the Texas Legislature pursuant to Senate Bill No. 4642, 87th Regular Session, effective June 15, 2021. The District operates under Chapters 49 and 54 of the Texas Water Code pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, and Chapter 7940A of the Texas Special District Local Laws Code. At the time of creation, the District encompassed 853.0 acres of land. The District divided into two (2) municipal utility districts (Fort Bend County Municipal Utility District No. 253 and Fort Bend County Municipal Utility District No. 253B) as authorized by House Bill 4642 and pursuant to an Order Dividing the District Into Two Districts, dated January 30, 2023. The current acreage of the District is 605.8284.

Among other purposes, the District is authorized to purchase, construct, operate and maintain public water, wastewater, and drainage facilities, roads, and recreational facilities.

Location

The District lies wholly within the County, and the extra-territorial jurisdiction of the City. The District is approximately 5.5 miles west of the City and located south of Interstate Highway 59 between Isleib and Finney Vallet Roads. The District is accessed via Finney Vallet Road.

Management of the District

- Board of Directors -

The District is governed by a board, consisting of five (5) elected directors, which has control over and management and supervision of all affairs of the District. Directors serve staggered four (4) year terms.

Name	Title	Term Expires April
Kayvon Tabrizi	President	2028
Barrett Von Blon	Vice President	2026
Ronnie Harris	Secretary	2028
Travis Smith	Assistant Vice President	2026
Daniela Medina	Assistant Secretary	2026

- Consultants -

Tax Assessor/Collector – Land and improvements in the District are being appraised by the Fort Bend Central Appraisal District (the “Appraisal District”). The tax assessor/collector for the District is Assessments of the Southwest, Inc.

Bookkeeper – The District contracts with District Data Services, Inc as bookkeeper for the District.

Engineer – The District’s consulting engineer is Edminster, Hinshaw, Russ and Associates, Inc. (“EHRA Engineering” or the “Engineer”).

Auditor – As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual financial statements are filed with the TCEQ. A copy of the District’s financial statements audited by McGrath & Co., PLLC for the fiscal year ending April 30, 2025, is included as “APPENDIX A.”

Financial Advisor – Robert W. Baird & Co. Incorporated serves as the District’s financial advisor (“the Financial Advisor”). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale 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.

Bond & General Counsel – The District has engaged The Muller Law Group, PLLC as bond counsel (“Bond Counsel”) in connection with the issuance of the District’s Bonds. The fees of Bond Counsel are based on the

percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is earned upon the sale and delivery of the Bonds. The Muller Law Group, PLLC also serves as the District's general counsel.

Disclosure Counsel – McCall, Parkhurst & Horton L.L.P. 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.

AGREEMENTS WITH CITY OF ROSENBERG

Emergency Water Supply Agreement

On April 4, 2023, the District and the City entered into an Emergency Water Supply Agreement whereas both parties wish to provide for the connection of the District's water system to the City's water system to serve as an emergency interconnection that will provide supplemental water to either party in the event of an emergency. The rate to be billed per the agreement will be at the supply party's water rates for single-family residences in effect at the time per thousand gallons of water provided plus any pumpage or other regulatory fees. The term of the agreement is 30 years and will renew for successive one-year terms until terminated by either party.

Interim Water Supply Contract

On October 17, 2023, the District and the City entered into an Interim Water Supply Contract for the City to provide the District water on an interim basis to serve 200 equivalent single-family connections ("ESFCs"), or 91,000 gallons per day average daily flow, until the District completes construction of water plant facilities to serve the area within its boundaries. Under said contract, the District must pay the City at a rate of one-and-one-half times the rates established by the City for water usage per 1,000 gallons plus any pumpage or other regulatory fees. During the 2025 fiscal year, the District purchased approximately 5,659,00 gallons of interim water supply from the City. The contract was terminated as of June 30, 2025, upon completion of the District's water plant.

THE DEVELOPERS AND PRINCIPAL LANDOWNERS

The Role of a Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the 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 certain instances, the developer will be required to pay up to 30% of the cost of constructing certain water, wastewater and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in the district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily the major taxpayer within a municipal utility district during the development phase of the property.

Description of the Developers and Principal Landowners

The original developer, Finney Vallet RD Owner LP ("Finney"), a Delaware limited partnership, developed Brookewater, Sections 1, 2, 3, 4, and 12. In April of 2025, Finney sold 681.20 acres of land, including approximately 441.20 acres within the District to Spur Brookewater Development, L.P., a Delaware limited partnership.

Spur Development

Spur Brookewater Development, L.P. ("SB Development") is a special purpose entity for the purpose of developing land and marketing developed land within the District. Spur Brookewater Land, L.P. ("SB Land"), a Delaware limited partnership, is a special purpose entity for the purpose of holding raw land within the District. SB Development and SB Land are collectively referred to as "Spur Development."

Spur Development is a thinly capitalized limited partnership whose assets consist primarily of the land in the District and the receivables due from the District for development costs. As of September 16, 2025, Spur Development owned approximately 555.13 acres.

Spur Development is affiliated with Starwood Land, which is a land acquisition, development and financing company that operates as a joint venture between its parent company, Starwood Capital Group and Land Strategies Management.

Taylor Morrison

Taylor Morrison of Texas, Inc. (“Taylor Morrison”) owns approximately 32.88 acres within the District, which it intends to self-develop. Taylor Morrison is a publicly traded corporation whose stock is listed on the New York Stock Exchange as TMHC. Audited financial statements for Taylor Morrison can be found online at <https://investors.taylormorrison.com>. Taylor Morrison is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission (“SEC”). Reports, proxy statements and other information filed by Taylor Morrison can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Certain financial information concerning the Developer is included as part of the consolidated financial statements of Taylor Morrison. However, Taylor Morrison is not legally obligated to provide funds for the development of the District, provide funds to pay taxes on property in the District owned by any other Developer, or to pay any other obligations of other Developer. Further, Taylor Morrison is not responsible for, 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. Taylor Morrison has no legal commitment to the District or owners of the Bonds to continue development of the land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of Taylor Morrison is subject to change at any time. Because of the foregoing, financial information concerning Taylor Morrison will neither be updated nor provided following issuance of the Bonds.

Spur Development and Taylor Morrison are collectively referred to herein as the “Developers.”

DEVELOPMENT WITHIN THE DISTRICT

General

The District is being developed as the residential community known as Brookewater.

Brookewater, Sections 1-4, 9, 10 and 12 are developed by Spur Development with Section 11 (130 lots) under construction.

To date, approximately 151.19 acres within the District have been developed as 702 single-family lots in Brookewater, Sections 1-4, 7, 9, 10, and 12. As of September 16, 2025, development within the District consisted of approximately 206 completed homes (approximately 149 occupied, 57 unoccupied homes), approximately 87 homes under construction, and approximately 409 vacant, developed lots. Approximately 30.28 acres are currently being developed as Section 11. The remainder of the District’s total acreage consists of approximately 78.18 undevelopable acres and approximately 346.19 acres remaining for future development.

Status of Development within the District

The following is the status of construction of single-family housing within the District as of September 16, 2025:

Brookewater	Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Lots
Section 1	9.82	90	34	14	42
Section 2	14.07	85	58	6	21
Section 3	21.51	82	37	13	32
Section 4	20.85	97	41	21	35
Section 7	16.34	69	0	18	51
Section 9	13.08	63	0	0	63
Section 10	29.65	105	0	0	105
Section 12	25.87	111	36	15	60
Totals	151.19	702	206	87	409
Developed	151.19				
Under Development	30.28 (a)				
Undevelopable	78.18				
Remaining Developable	346.19				
District Total	605.83				

(a) Approximately 30.28 acres (130 lots) are currently under development as Brookewater, Sections 11.

Homebuilders Active within the District

Homebuilders active within the District include Ashton Woods; Brightland Homes, Chesmar Homes, David Weekley Homes, Highland Homes, Perry Homes, Taylor Morrison, and Westin Homes. The homes being marketed in the District range in price from approximately \$250,000 to over \$750,000.

[Remainder of Page Intentionally Left Blank]

DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements for the principal and interest requirements for the Bonds. Totals may not sum due to rounding.

Year Ending 12/31	The Bonds		
	Principal	Interest	Total Debt Service
2026	\$ -	\$ 307,168	\$ 307,168
2027	180,000	393,525	573,525
2028	190,000	381,600	571,600
2029	200,000	369,013	569,013
2030	210,000	355,763	565,763
2031	220,000	341,850	561,850
2032	230,000	327,275	557,275
2033	240,000	312,038	552,038
2034	255,000	296,138	551,138
2035	265,000	282,431	547,431
2036	280,000	271,500	551,500
2037	295,000	259,950	554,950
2038	310,000	247,781	557,781
2039	325,000	234,994	559,994
2040	345,000	221,588	566,588
2041	360,000	206,063	566,063
2042	380,000	189,863	569,863
2043	400,000	172,763	572,763
2044	420,000	154,263	574,263
2045	440,000	134,838	574,838
2046	460,000	114,488	574,488
2047	485,000	92,638	577,638
2048	510,000	69,600	579,600
2049	535,000	45,375	580,375
2050	565,000	23,306	588,306
	<u>\$ 8,100,000</u>	<u>\$ 5,805,806</u>	<u>\$ 13,905,806(a)</u>

Average Annual Requirement on the Bonds (2026–2050)..... \$556,232

Maximum Annual Requirement on the Bonds (2050) \$588,306

DISTRICT FINANCIAL DATA

2025 Assessed Valuation.....	\$ 53,947,378	(a)
(100% of the taxable value as of January 1, 2025)		
Estimated Assessed Valuation as of August 1, 2025.....	\$ 82,189,356	(b)
(100% of the estimated taxable value as of August 1, 2025)		
Direct Debt:		
The Bonds	\$ 8,100,000	
Total.....	\$ 8,100,000	
Estimated Overlapping Debt	\$ 4,833,377	(c)
Total Direct and Estimated Overlapping Debt	\$ 12,933,377	
Direct Debt Ratios:		
Based on the 2025 Assessed Valuation	15.01	%
Based on the Estimated Assessed Valuation as of August 1, 2025.....	9.86	%
Direct and Estimated Overlapping Debt Ratios:		
Based on the 2025 Assessed Valuation	23.97	%
Based on the Estimated Assessed Valuation as of August 1, 2025.....	15.74	%
Road System Debt Service Fund Balance (as of September 16, 2025).....	\$ 590,288	(d)
Operating Fund Balance (as of September 16, 2025)	\$ 242,536	(e)
2025 Tax Rate per \$100 of Assessed Valuation:		
Debt Service (System)	\$ 0.000	
Debt Service (Road).....	\$ 0.000	
Maintenance & Operations	\$ 1.500	
Total.....	\$ 1.500	
Average Annual Debt Service Requirement on the Bonds (2026–2050).....	\$ 556,232	
Maximum Annual Debt Service Requirement on the Bonds (2050).....	\$ 588,306	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Bonds (2026–2050) at 95% Tax Collections:		
Based on the 2025 Assessed Valuation (\$53,947,378)	\$ 1.09	
Based on the Estimated Assessed Valuation as August 1, 2025 (\$82,189,356)	\$ 0.72	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Bonds (2050) at 95% Tax Collections:		
Based on the 2025 Assessed Valuation (\$53,947,378)	\$ 1.15	
Based on the Estimated Assessed Valuation as August 1, 2025 (\$82,189,356)	\$ 0.76	
Single-Family Homes (including 87 under construction) as of September 16, 2025.....	293	

-
- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2025, provided by the Appraisal District (herein defined). Such amount includes \$3,651,250 of uncertified assessed valuation of taxable property in the District as of January 1, 2025. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the assessed valuation of all taxable property located within the District as of August 1, 2025, and includes an estimate of valuations resulting from the construction of taxable improvements from January 1, 2025, through August 1, 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) Represents eighteen (18) months of capitalized interest which will be deposited into the Road System Debt Service Fund upon closing of the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund (herein defined). The funds in the Road System Debt Service Fund are pledged only to pay debt service on the Bonds and any additional bonds the District may hereafter issue for the Road System.
- (e) See "RISK FACTORS – Operating Fund."

Unlimited Tax Bonds Authorized but Unissued

Election Date	Purpose	Authorized	Issued to Date	Unissued
05/06/2023	Water, Wastewater, and Drainage	\$ 790,000,000	\$ -	\$790,000,000
05/06/2023	Roads	\$ 422,000,000	8,100,000 (a)	413,900,00
05/06/2023	Parks and Recreation	\$ 85,000,000	-	85,000,000
05/06/2023	Water, Wastewater & Drainage Refunding	\$ 158,000,000	-	158,000,000
05/06/2023	Roads Refunding	\$ 84,400,000	-	84,400,000
05/06/2023	Parks and Recreation Refunding	\$ 17,000,000	-	17,000,000

(a) The Bonds.

Investment Authority and Investment Practices of the District

The District has adopted an investment policy (the "Investment 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 Investment Policy. The Investment Policy states that the funds of the District may be invested in obligations of the United States 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.

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 several sources, including information contained in the "Texas Municipal Report," published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot 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 of debt service, and the tax burden for operation, maintenance and/or general purposes is not included in these figures. Totals may not sum due to rounding.

Taxing Jurisdiction	Outstanding Debt as of August 31, 2025	Estimated Overlapping	
		Percent	Amount
Fort Bend County	1,237,428,859	0.04%	480,634
Fort Bend County Drainage	21,645,000	0.04%	8,466
Lamar Consolidated ISD	3,058,595,000	0.14%	<u>4,344,276</u>
Total Estimated Overlapping Debt			<u>\$ 4,833,377</u>
The District		100.00%	<u>\$ 8,100,000</u> (a)
Direct & Estimated Overlapping Debt			<u>\$ 12,933,377</u> (a)

(a) Includes the Bonds.

Debt Ratios

	Direct Debt (a)	Direct and Estimated Overlapping Debt (a)
2025 Assessed Valuation (\$53,947,378)	15.01%	23.97%
Estimated Assessed Valuation as of August 1, 2025 (\$82,189,356)	9.86%	15.74%

(a) Includes the Bonds.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Resolution 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 the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed \$1.00 per \$100 of assessed valuation for system operation and maintenance purposes and \$0.10 for road facilities maintenance purposes. For the 2025 tax year, the District has levied a total tax rate of \$1.50 per \$100 of assessed valuation. Such rate is composed entirely of a maintenance and operations tax rate of \$1.50 per \$100 of assessed valuation.

Tax Rate Limitation

System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance and Operations:	\$1.50 per \$100 of Assessed Valuation.
Road Facilities Maintenance:	\$0.25 per \$100 of Assessed Valuation.

Maintenance and Operations 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 tax is authorized by vote of the District's electors. On May 6, 2023, the Board was authorized to levy such maintenance and operations tax in an amount not to exceed \$1.50 per \$100 of assessed valuation for water, wastewater, drainage facilities and park and recreational facilities; and \$0.25 per \$100 of assessed valuation for road facilities on all taxable property within the District. For the 2025 tax year, the District levied a maintenance and operations tax of \$1.50 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on debt issued by the District.

Tax Exemption

To date, the District has not adopted a general residential homestead exemption. See "TAXING PROCEDURES."

Additional Penalties

The District contracts with a delinquent tax attorney to collect certain delinquent taxes, once such taxes become delinquent. 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 Texas Tax Code.

Historical Collections

The following table illustrates the collection history of the District for the 2023–2024 tax years:

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Percent Collections Current Year	Tax Year Ending 09/30	Percent Collections as of 07/31/2025
2023	\$ 613,139	\$ 1.50	\$ 9,197	100.00%	2024	99.68%
2024	9,281,988	1.50	139,230	99.95%	2025	99.95%
2025	50,296,128 (b)	1.50	754,442	(c)	2026	(c)

(a) Total tax rate per \$100 of assessed valuation.

(b) Such amount excludes \$3,651,250 of uncertified assessed valuation of taxable property in the District as of January 1, 2025.

(c) For the 2025 tax year, the levy is in process of collection.

Tax Rate Distribution

The following table illustrates the components of the tax rate for the District's 2023–2025 tax years:

	2025	2024	2023
System Debt Service	\$ 0.00	\$ 0.00	\$ 0.00
Road Debt Service	0.00	0.00	0.00
Maintenance and Operations	1.50	1.50	1.50
Total	<u>\$ 1.50</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value for the 2023–2025 tax years by type of property:

Type of Property	2025 Assessed Valuation	2024 Assessed Valuation	2023 Assessed Valuation
Land	\$ 35,337,379	\$15,264,641	\$ 3,331,889
Improvements	26,615,539	-	311,054
Personal Property	443,089	-	-
Exemptions	(12,099,879)	(5,982,653)	(3,029,804)
Total	<u>\$50,296,128 (a)</u>	<u>\$ 9,281,988</u>	<u>\$ 613,139</u>

(a) Such amount excludes \$3,651,250 of uncertified assessed valuation of taxable property in the District as of January 1, 2025.

Principal Taxpayers

The following table illustrates the principal taxpayers, type of property, and their assessed values as of September 24, 2025:

Taxpayer	Type of Property	Assessed Valuation 2025 Tax Roll	Percent of 2025 Tax Roll
Spur Brookewater Development LP (a)	Land & Improvements	\$ 7,326,000	14.57%
AHR Texas Three LLC	Land & Improvements	4,637,000	9.22%
KLMH Living Trust	Land & Improvements	986,710	1.96%
Confidential Owner	Land & Improvements	784,836	1.56%
Homeowner	Land & Improvements	550,981	1.10%
AC1 Fund LLC	Land & Improvements	522,645	1.04%
Charena Properties LLC	Land & Improvements	497,000	0.99%
Kazmierski Holdings LLC	Land & Improvements	492,930	0.98%
Kotravo Properties Investments LLC	Land & Improvements	470,000	0.93%
FKH SFR PROPCO I LP	Land & Improvements	469,941	0.93%
Total		<u>\$ 16,738,043</u>	<u>33.28%</u>

(a) See "THE DEVELOPERS AND PRINCIPAL LANDOWNERS."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2025 Assessed Valuation of \$53,947,378 or the estimated assessed valuation as of August 1, 2025, of \$82,189,356. The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds by the District.

Average Annual Debt Service Requirement on the Bonds (2026–2050).....	\$ 556,232
Road Tax Rate of \$1.09 on the 2025 Assessed Valuation.....	\$ 558,625
Road Tax Rate of \$0.72 on the Estimated Assessed Valuation as of August 1, 2025	\$ 562,175
Maximum Annual Debt Service Requirement on the Bonds (2050)	\$ 588,306
Road Tax Rate of \$1.15 on the 2025 Assessed Valuation.....	\$ 589,375
Road Tax Rate of \$0.76 on the Estimated Assessed Valuation as of August 1, 2025	\$ 593,407

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.

Set forth below is an estimation of all 2025 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other charges made by entities other than political subdivisions. See "DISTRICT FINANCIAL DATA – Estimated Direct and Overlapping Debt Statement."

<u>Taxing Jurisdiction</u>	<u>2025 Tax Rate (a)</u>
The District	\$ 1.500000
Fort Bend County	0.412000
Fort Bend Drainage	0.010000
Fort Bend ESD 8	0.100000
Lamar CISD	<u>1.146900</u>
Total	\$ 3.168900

(a) Total tax rate per \$100 of assessed valuation.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the System and roads serving the District, and for the payment of certain contractual obligations if authorized by its voters. See "RISK FACTORS – Future Debt" and "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-wide Appraisal District

Title I of the Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of Texas, including the District. 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, including the District. Such appraisal values are subject to review and change by the Fort Bend Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, manufactured homes, and certain categories of intangible personal property with a tax situs within 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; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age 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 the 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 certain surviving dependents of disabled veterans, 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 of full value of the veteran's residential 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, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse of a deceased veteran who had received a disability rating of 100%, 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.

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 also applies, under certain conditions, 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, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption in the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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 total 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.

To date, the District has not adopted a residential homestead exemption for individuals who are disabled or 65 years of age or older.

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 value of residential homesteads from ad valorem taxation. The District is authorized by statute to disregard previously granted residential homestead exemptions if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. The adoption of a homestead exemption may be considered each year but must be adopted by July 1. To date, the District has not adopted a general residential homestead exemption.

Freeport Goods Exemption: A “Freeport Exemption” applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing, or fabricating not later than 175 days after the person acquired or imported the property into Texas.

A “Goods-in-Transit Exemption” is applicable to goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, petroleum products, aircraft, dealer’s motor vehicle inventory, dealer’s vessel and outboard motor inventory, dealer’s heavy equipment inventory, or retail manufactured housing inventory, if such property is acquired in or imported into Texas only if such property is to be forwarded to another location in or outside of Texas and is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property, and is transported to another location in the state or outside of the state not later than 175 days after the date the person acquired the property in or imported the property into Texas.

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.

Valuation of Property for Taxation

Generally, property within 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 formally 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 under 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 and a 5% annual interest for the previous three (3) years for agricultural use, open space land and timberland.

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

Section 11.35 of the Property Tax Code, authorizes a temporary tax exemption for certain damaged property in Governor (herein defined)-declared disaster areas. In order to qualify for the exemption, the property must be at least 15% damaged, as determined by the chief appraiser of the appraisal district. Upon a property owner’s application for an exemption, the chief appraiser must assign a damage rating of Level I – at least 15%,

but less than 30% (minimal damage), Level II – at least 30%, but less than 60% (nonstructural damage), Level III – at least 60%, but less than 100% (significant structural damage), or Level IV – 100% (total loss). The amount of the exemption for qualifying property is determined by multiplying the appraisal value by the level rating percentage (Level I – 15%, Level II – 30%, Level III – 60%, and Level IV – 100%), which is then prorated by the number of days from the disaster declaration to December 31 of the tax year in which the disaster is declared as a percentage of total days in the year.

Property owners are entitled to the exemption if the Governor of Texas (the “Governor”) declares the disaster area prior to a taxing unit adopting a tax rate for the year in which the disaster occurs. However, if the disaster declaration occurs on or after the date a taxing unit adopts a tax rate, property owners are only entitled to receive the exemption if the governing body of the taxing unit adopts the exemption within 60 days of the disaster declaration. The exemption expires on January 1 of the first tax year in which the property is reappraised.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in Texas 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, except set forth herein with respect to residential homesteads. 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% of the amount of the delinquent tax 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur 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 and discounts for early payment under certain circumstances which, at the option of the District, may be rejected by taxing units. The Property Tax Code also provides for the postponement of the delinquency date of taxes in certain circumstances. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 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 continues to accrue during the period of deferral.

Certain qualified taxpayers, including 1) owners of residential homesteads or certain properties used for residential purposes, located in a disaster or emergency area and which has been damaged by the disaster or emergency, and 2) certain qualified business entities that own or lease real and/or tangible property, located in a disaster or emergency area and which has been damaged by the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District on taxes imposed on the property prior to the first anniversary of the disaster or emergency if the business entity pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments before the first day of the sixth month after the delinquency date.

Additionally, certain qualified business entities that own or lease real and/or tangible property located in a disaster or emergency area and which has not been damaged by the disaster or emergency, may be permitted by a taxing jurisdiction such as the District, at the taxing jurisdiction's discretion, to enter into a tax payment installment agreement on taxes imposed on the property prior to the first anniversary of the disaster or emergency under the same terms as set forth in the paragraph directly above.

A property owner serving on active duty for any branch of the United States armed forces who is transferred out of the state may defer payment on property taxes without incurring any penalty or interest. Deferred tax payments are due no later than 60 days after the earliest of the following to occur: (1) the person is discharged from active military service, (2) the person returns to the state for more than ten (10) days, or (3) the person returns to non-active-duty status in the reserves. After the deferral period expires, any unpaid delinquent taxes will accrue interest but will not incur any penalty.

Rollback of Operation and Maintenance Tax Rate

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

Low Tax Rate District

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year,

plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor 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 Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate District.

Developing Districts

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

The District

For the 2025 tax year, the District made the determination of its status as a Developing District. 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 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. See "TAX DATA – Estimated Overlapping Taxes." 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. In the absence of federal law, the District's tax lien takes priority over a tax lien of the United States. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described under "TAXING PROCEDURES – Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property that was used as the residence homestead of the owner, certain land designated for agricultural use, or a mineral interest sold at a tax sale to a purchaser other than a taxing unit within two (2) years of the date on which the purchaser's deed at the foreclosure sale is filed in the county records. For all other real property, a taxpayer may redeem the property not later than the 180th day following the date on which the purchaser's or taxing unit's deed is filed for record. See "RISK FACTORS – General," "TAX DATA – Estimated Overlapping Taxes," and "TAXING PROCEDURES – Levy and Collection of Taxes."

The District's ability to attach or foreclose a tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended.

THE SYSTEM

General

The water, sanitary water and drainage facilities and systems, the purchase, acquisition and construction of which will be financed by the District with the proceeds of the Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities. According to the Engineer, the design of the water, sanitary water and drainage facilities and systems have been approved by all governmental agencies that have jurisdiction over the District.

Description of the System

- Water Supply and Distribution -

The District has constructed a water well which is permitted and monitored by the Fort Bend Subsidence District under Permit No. WP2024-104032 with a total annual combined withdraw limit, not to exceed 350.00 million gallons.

The District's water supply is capable of serving 700 ESFCs, which is sufficient to serve the existing 294 ESFCs in the District.

- Wastewater Treatment Facilities -

Wastewater Treatment for the District is provided by an existing 0.21 MGD (700 ESFCs) facility, constructed under an Equipment Lease Agreement with AUC Group, LLC.

The District entered into the lease with AUC Group, LLC on November 1, 2023. The monthly lease payments are paid by Spur Development on behalf of the District.

The 0.210 MGD wastewater treatment plant operates under TPDES Permit No. WQ0016237001.

The District's wastewater capacity is capable of serving 700 ESFCs, which is sufficient to serve the existing 294 ESFCs in the District.

- Drainage -

The District is located within the Cottonwood Creek watershed, which is a tributary to Big Creek. Prior to development, surface drainage was accomplished by overland flow and natural drainage ditches or swales that outfall into Cottonwood Creek. Most of the subject tract drains to Cottonwood Creek which runs through the south side of the property.

Conveyance of sheet flow runoff to the storm sewer will be supplemented by a system of roadside ditches, curb, gutter, and inlet street paving. The internal storm sewers will be designed to convey the runoff from a 3-year rainfall event with velocities ranging from 3 to 8 feet per second (fps). Internal outfall sewers will be designed to convey the runoff from a 100-year rainfall event to the detention basins and existing creeks with velocities ranging from 3 to 8 fps.

Generally, existing drainage patterns within the tract will remain intact. The tract naturally drained to Cottonwood Creek and the same flow pattern will be maintained in a developed condition.

The District contains channels and storm water detention basins that are designed in accordance with Fort Bend County standards. The detention basin system has one (1) separate outfall locations that discharge into Cottonwood Creek.

- Roads -

The roads within the District vary in width in accordance with standards adopted by the City, but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District. The District does not intend to maintain or operate the roads once they are accepted by the County.

Historical Operations of the System

	Fiscal year ended April 30		
	2025	2024	2023
REVENUES:			
Water service	\$ 30,733	\$ -	\$ -
Sewer service	43,486	-	-
Property taxes	133,868	13,694	-
Penalties and interest	1,793	-	-
Regional water authority fees	16,177	-	-
Tap connection and inspection	465,785	-	-
Miscellaneous	19,925	5,470	-
Investment earnings	<u>188</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	\$ 711,955	\$ 19,164	\$ -
EXPENDITURES:			
Purchased services	\$ 68,769	\$ -	\$ -
Professional fees	216,992	266,753	35,124
Contracted services	74,140	14,831	1,028
Repairs and maintenance	78,762	-	15,000
Administrative	24,202	21,119	6,241
Other	42,332	3,838	788
Capital Outlay	136,454	-	-
Right-to-use lease asset	-	11,293,210	-
Debt Service			
Lease - principal	2,002,738 (a)	11,293,210 (b)	-
Lease - interest	<u>153,262 (a)</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	\$ 2,797,651	\$ 11,599,751	\$ 58,181
EXCESS/DEFICIENCY	\$(2,085,696)	\$(11,580,57)	\$ (58,181)
OTHER FINANCING SOURCES			
Lease Financing	\$ -	\$ 11,293,210 (b)	\$ -
Developer Advances	\$ 2,105,000	\$ 391,800	\$ -
NET CHANGE IN FUND BALANCE	\$ 19,304	\$ 104,423	\$ (58,181)
BEGINNING FUND BALANCE	\$ <u>46,242</u>	\$ <u>(58,181)</u>	\$ <u>-</u>
ENDING FUND BALANCE	\$ 65,546	\$ 46,242	\$ (58,181)

(a) The District made lease payments for a wastewater treatment plant.

(b) The District has entered into multiple equipment lease agreements for an interim wastewater treatment plant and a water treatment plant. The figure shown above represents the remaining balance for both plants.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of the State 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 (i) interest on the Bonds is excludable from gross income for federal tax purposes under existing law and (ii) interest on the Bonds will not be subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing herein under "THE BONDS (except for information under the subheadings "Payment Record" and "Registered Owners' Remedies"), "THE DISTRICT – General," "AGREEMENTS WITH CITY OF ROSENBERG," "TAXING PROCEDURES,"

(except for information under the subheading "Historical Operations of System"), "LEGAL MATTERS – Legal Opinions," "TAX MATTERS," and "CONTINUING DISCLOSURE (except for the information under the subheading "Compliance with Prior Undertakings"), solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained herein nor has it conducted an investigation of the affairs of the District or the Developers for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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.

No Material Adverse Change

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

No-Litigation Certificate

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

TAX MATTERS

Opinion of Bond Counsel

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

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

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

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

opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

Alternative Minimum Tax

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

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

Other Tax Matters

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

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

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

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

Original Issue Discount

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

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

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

Bond Premium

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

NOT Qualified Tax-Exempt Obligations

The Bonds are NOT designated "qualified tax-exempt obligations" for financial institutions within the meaning of Section 265(b) of the Code.

CONTINUING DISCLOSURE

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(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 (including the Bonds) and no person is committed by contract or other arrangement with respect to payment of the Bonds as required by the exemption. As required by the exemption, in the Bond Resolution, 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 events, to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its functions as a repository through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data, which is customarily prepared by the District and publicly available, annually to the MSRB. The financial information and operating data which will be provided with respect to the District is found in the sections titled "DISTRICT FINANCIAL DATA" (except "Estimated Direct and Overlapping Debt Statement") and "TAX DATA" and in APPENDIX A (Independent Auditor's Report and Financial Statements and certain supplemental schedules). The District will update and provide this information to EMMA within six months after the end of each of its fiscal years ending in or after 2026. Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six-month period, and audited financial statements when the audit report becomes available. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule.

The District's current fiscal year ends April 30. Accordingly, it must provide updated information by the last day in October in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Material 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 ten (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 Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt 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 within the

meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, 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 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 obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. Neither the Bonds nor the Bond Resolution 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 described above under "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 of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

The Bonds are the first issuance of bonded indebtedness by the District, and as such, the District has not previously entered into a continuing disclosure agreement pursuant to Sec Rule 15c2-12.

OFFICIAL STATEMENT

Preparation

The information herein has been obtained from sources as set forth herein under the following captions:

"THE DISTRICT" and "THE SYSTEM," – EHRA Engineering, Inc.; "THE DEVELOPERS AND PRINCIPAL LANDOWNERS," and "DEVELOPMENT WITHIN THE DISTRICT" – The Developers; "DISTRICT FINANCIAL DATA – Estimated Direct and Overlapping Debt Statement"; "THE BONDS", "CONTINUING DISCLOSURE", "TAXING PROCEDURES", "LEGAL MATTERS" and "TAX MATTERS" – The Muller Law Group, PLLC.

Experts

In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor:

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

Tax Assessor/Collector and Appraisal District: The information contained herein relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "TAX DATA," has been provided by the Assessments of the Southwest, Inc. and the Fort Bend Central Appraisal District in reliance upon their authority as experts in appraising and tax assessing.

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 Purchaser, of any adverse event which causes this Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to 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 Purchaser, unless the Initial Purchaser notifies 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.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity, 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, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

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.

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 253 as of the date shown on the cover.

/s/ Kayvon Tabrizi
President, Board of Directors
Fort Bend County Municipal Utility District No. 253

ATTEST:

/s/ Ronnie Harris
Secretary, Board of Directors
Fort Bend County Municipal Utility District No. 253

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 253**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

April 30, 2025

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Fund Balance Sheet		14
Statement of Activities and Governmental Fund Revenues, Expenditures and Change in Fund Balance		15
Notes to Financial Statements		17
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		30
Notes to Required Supplementary Information		31
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	34
General Fund Expenditures	TSI-2	36
Investments	TSI-3	N/A
Taxes Levied and Receivable	TSI-4	37
Long-Term Debt Service Requirements by Years	TSI-5	N/A
Change in Long-Term Bonded Debt	TSI-6	N/A
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	38
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	N/A
Board Members, Key Personnel and Consultants	TSI-8	40

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors

Fort Bend County Municipal Utility District No. 253

Fort Bend County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and General Fund of Fort Bend County Municipal Utility District No. 253 (the "District"), as of and for the year ended April 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Fort Bend County Municipal Utility District No. 253, as of April 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

***Board of Directors
Fort Bend County Municipal Utility District No. 253
Fort Bend County, Texas***

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

Supplementary Information

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

McGuire & Co, P.C.

Houston, Texas
August 19, 2025

(This page intentionally left blank)

Management's Discussion and Analysis

(This page intentionally left blank)

***Fort Bend County Municipal Utility District No. 253
Management's Discussion and Analysis
April 30, 2025***

Using this Annual Report

This section of the financial report of Fort Bend County Municipal Utility District No. 253 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2025. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

Fort Bend County Municipal Utility District No. 253
Management's Discussion and Analysis
April 30, 2025

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at April 30, 2025, was negative \$8,793,655. This amount is negative because the District constructs 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 April 30, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	\$ 303,742	\$ 111,045
Capital assets	22,700,445	11,293,210
Total assets	<u>23,004,187</u>	<u>11,404,255</u>
Current liabilities	246,272	2,101,128
Long-term liabilities	31,551,570	9,647,880
Total liabilities	<u>31,797,842</u>	<u>11,749,008</u>
Net position		
Net investment in capital assets	(703,589)	
Unrestricted	(8,090,066)	(344,753)
Total net position	<u>\$ (8,793,655)</u>	<u>\$ (344,753)</u>

Fort Bend County Municipal Utility District No. 253
Management's Discussion and Analysis
April 30, 2025

The total net position of the District decreased during the current fiscal year by \$8,448,902. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2025	2024
Revenues		
Property taxes, penalties and interest	\$ 135,681	\$ 14,499
Water and sewer service	74,219	
Regional water authority fees	16,177	
Tap connection and inspection	465,785	
Other	20,113	5,470
Total revenues	<u>711,975</u>	<u>19,969</u>
Expenses		
Current service operations	505,197	306,541
Debt interest and fees	153,262	
Depreciation and amortization	438,401	
Total expenses	<u>1,096,860</u>	<u>306,541</u>
Change in net position before other item	(384,885)	(286,572)
Other item		
Transfers to other governments	<u>(8,064,017)</u>	
Change in net position	(8,448,902)	(286,572)
Net position, beginning of year	<u>(344,753)</u>	<u>(58,181)</u>
Net position, end of year	<u><u>\$ (8,793,655)</u></u>	<u><u>\$ (344,753)</u></u>

Financial Analysis of the District's General Fund

Fund balance in the District's General Fund, as of April 30, 2025, was \$65,546. A comparative summary of the General Fund's financial position as of April 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	<u><u>\$ 303,742</u></u>	<u><u>\$ 111,045</u></u>
Total liabilities	\$ 237,371	\$ 63,998
Total deferred inflows	825	805
Total fund balance	<u>65,546</u>	<u>46,242</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 303,742</u></u>	<u><u>\$ 111,045</u></u>

Fort Bend County Municipal Utility District No. 253
Management's Discussion and Analysis
April 30, 2025

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

	2025	2024
Total revenues	\$ 711,955	\$ 19,164
Total expenditures	(2,797,651)	(11,599,751)
Revenues under expenditures	(2,085,696)	(11,580,587)
Other changes in fund balance	2,105,000	11,685,010
Net change in fund balance	\$ 19,304	\$ 104,423

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. Property tax revenues increased from prior year because assessed values increased.
- Water, sewer and regional water authority revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control. The District began providing utility services in the current year.
- Tap connection fees fluctuate with homebuilding activity within the District.
- The District's developers 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 amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$43,304 greater than budgeted. The *Budgetary Comparison Schedule* on page 30 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.

Fort Bend County Municipal Utility District No. 253
Management's Discussion and Analysis
April 30, 2025

Capital assets held by the District at April 30, 2025 and 2024, are summarized as follows:

	<u>2025</u>	<u>2024</u>
Capital assets being amortized/depreciated		
Infrastructure	\$ 17,306,321	\$ -
Right-to-use leased assets	<u>5,832,525</u>	<u>11,293,210</u>
	<u>23,138,846</u>	<u>11,293,210</u>
Less accumulated amortization/depreciation		
Infrastructure	(395,197)	
Right-to-use leased assets	<u>(43,204)</u>	
	<u>(438,401)</u>	
Capital assets, net	<u>\$ 22,700,445</u>	<u>\$ 11,293,210</u>

Capital asset additions during the current fiscal year include the following:

- Brookewater Section 1 and 3 - utilities
- Brookewater Section 2 and 4 - utilities
- Brookewater Section 12 - utilities
- Brookewater Collector Road Phase 1
- Offsite Waterline and Interconnect
- Water meters

During the current fiscal year, the District exercised the purchase option included in the lease agreement for water treatment plant phase 1. This resulted in the elimination of the right-to-use leased asset and the recognition of the water treatment plant as infrastructure. See Note 7 for additional information.

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 developer is reimbursed. For the year ended April 30, 2025, capital assets in the amount of \$8,064,017 have been recorded as transfers to other governments in the government-wide statements.

Lease Obligations

The District has entered into equipment lease obligations for a wastewater treatment plant and a water treatment plant. In the previous fiscal year, the District recognized right-to-use leased assets and lease obligations in the amount of \$11,293,210 for these leases. As previously stated, during the current year, the District exercised the purchase option included in the water treatment plant lease, resulting in the elimination of \$5,460,685 in right-to-use leased asset and lease obligation. The balance due for the leases as of April 30, 2025, was \$3,829,787.

Fort Bend County Municipal Utility District No. 253
Management's Discussion and Analysis
April 30, 2025

Long-Term Debt and Related Liabilities

As of April 30, 2025, the District owes approximately \$27,730,684 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 5, the District has an additional commitment in the amount of \$15,910,000 for projects under construction by the developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At April 30, 2025, the District had \$790,000,000 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 \$158,000,000 for the refunding of such bonds; \$85,000,000 for parks and recreational facilities and \$17,000,000 for the refunding of such bonds; \$422,000,000 for road improvements and \$84,400,000 for the refunding of such bonds.

Property Taxes

The District's property tax base increased approximately \$41,014,000 for the 2025 tax year from \$9,281,988 to \$50,296,128. This increase was primarily due to new construction in the District.

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 fiscal year's budget to current fiscal year actual amounts for the General Fund is as follows:

	2025 Actual	2026 Budget
Total revenues	\$ 711,955	\$ 947,200
Total expenditures	(2,797,651)	(1,056,800)
Revenues under expenditures	(2,085,696)	(109,600)
Other changes in fund balance	2,105,000	
Net change in fund balance	19,304	(109,600)
Beginning fund balance	46,242	65,546
Ending fund balance	\$ 65,546	\$ (44,054)

Basic Financial Statements

Fort Bend County Municipal Utility District No. 253
Statement of Net Position and Governmental Fund Balance Sheet
April 30, 2025

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 217,125	\$ -	\$ 217,125
Taxes receivable	825		825
Customer service receivables	32,992		32,992
Prepaid items	52,800		52,800
Capital assets, net		22,700,445	22,700,445
Total Assets	<u>\$ 303,742</u>	<u>22,700,445</u>	<u>23,004,187</u>
Liabilities			
Accounts payable	\$ 64,018		64,018
Other payables	19,924		19,924
Customer deposits	35,499		35,499
Unearned revenue	117,930		117,930
Due to developer		27,730,684	27,730,684
Obligations under leases			
Due within one year		8,901	8,901
Due after one year		3,820,886	3,820,886
Total Liabilities	<u>237,371</u>	<u>31,560,471</u>	<u>31,797,842</u>
Deferred Inflows of Resources			
Deferred property taxes	<u>825</u>	<u>(825)</u>	
Fund Balance/Net Position			
Fund Balance			
Nonspendable	52,800	(52,800)	
Unassigned	<u>12,746</u>	<u>(12,746)</u>	
Total Fund Balances	<u>65,546</u>	<u>(65,546)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 303,742</u>		
Net Position			
Net investment in capital assets		(703,589)	(703,589)
Unrestricted		(8,090,066)	(8,090,066)
Total Net Position		<u>\$ (8,793,655)</u>	<u>\$ (8,793,655)</u>

See notes to basic financial statements.

Fort Bend County Municipal Utility District No. 253
Statement of Activities and Governmental Funds Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended April 30, 2025

	General Fund	Adjustments	Statement of Activities
Revenues			
Water service	\$ 30,733	\$ -	\$ 30,733
Sewer service	43,486		43,486
Property taxes	133,868	20	133,888
Penalties and interest	1,793		1,793
Regional water authority fees	16,177		16,177
Tap connection and inspection	465,785		465,785
Miscellaneous	19,925		19,925
Investment earnings	188		188
Total Revenues	<u>711,955</u>	<u>20</u>	<u>711,975</u>
Expenditures/Expenses			
Current service operations			
Purchased services	68,769		68,769
Professional fees	216,992		216,992
Contracted services	74,140		74,140
Repairs and maintenance	78,762		78,762
Administrative	24,202		24,202
Other	42,332		42,332
Capital outlay	136,454	(136,454)	
Debt service			
Lease - principal	2,002,738	(2,002,738)	
Lease - interest	153,262		153,262
Depreciation and amortization		438,401	438,401
Total Expenditures/Expenses	<u>2,797,651</u>	<u>(1,700,791)</u>	<u>1,096,860</u>
Revenues Over/(Under)			
Expenditures/Expenses	(2,085,696)	1,700,811	(384,885)
Other Financing Sources			
Developer advances	2,105,000	(2,105,000)	
Other Items			
Transfers to other governments		(8,064,017)	(8,064,017)
Net Change in Fund Balance	19,304	(19,304)	
Change in Net Position		(8,448,902)	(8,448,902)
Fund Balance/Net Position			
Beginning of the year	46,242	(390,995)	(344,753)
End of the year	<u>\$ 65,546</u>	<u>\$ (8,859,201)</u>	<u>\$ (8,793,655)</u>

See notes to basic financial statements.

(This page intentionally left blank)

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 253 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to House Bill 4642, 87th Regular Session of the Texas Legislature, codified at Chapter 7940A, Texas Special District Local Laws Code, effective June 15, 2021, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on January 30, 2023.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Fort Bend County Municipal Utility District No. 253
Notes to Financial Statements
April 30, 2025

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.

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 April 30, 2025, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

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 that exceeds the capitalization threshold for the asset class 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 that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is \$50,000. The threshold for subscription-based information technology arrangements (SBITAs) is \$100,000.

Capital assets are recorded at historical cost or estimated historical cost. Right-to-use leased assets are valued at the present value of future lease payments. 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 as follows:

Assets	Useful Life
Infrastructure	10-45 years
Right-to-use leased assets	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.

Fort Bend County Municipal Utility District No. 253
Notes to Financial Statements
April 30, 2025

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.

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 value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developer, the value of capital assets transferred to Fort Bend County and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Fort Bend County Municipal Utility District No. 253
Notes to Financial Statements
April 30, 2025

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$ 65,546
--	-----------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 23,138,846	
Less accumulated depreciation	<u>(438,401)</u>	
		22,700,445

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Lease obligations	(3,829,787)	
Due to developer	<u>(27,730,684)</u>	
		(31,560,471)

Deferred inflows in the fund statements consist of property taxes receivable that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government wide statements.

825

Total net position - governmental activities	<u><u>\$ (8,793,655)</u></u>
--	------------------------------

Fort Bend County Municipal Utility District No. 253
Notes to Financial Statements
April 30, 2025

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

Net change in fund balances - total governmental funds	\$ 19,304
--	-----------

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.

20

Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:

Capital outlays	\$ 136,454	
Transfers to other governments	(8,064,017)	
Depreciation/amortization expense	<u>(438,401)</u>	
		(8,365,964)

Financial reporting for long-term obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as liabilities are acquired and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:

Principal payments - leases	2,002,738	
Developer advances	<u>(2,105,000)</u>	
		(102,262)

Change in net position of governmental activities	<u><u>\$ (8,448,902)</u></u>
---	------------------------------

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to

Fort Bend County Municipal Utility District No. 253
Notes to Financial Statements
April 30, 2025

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 4 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2025, is as follows:

	Beginning Balances	Increases/ Decreases	Ending Balances
Capital assets being depreciated/amortized			
Infrastructure	\$ -	\$ 17,306,321	\$ 17,306,321
Right-to-use leased assets	11,293,210	(5,460,685)	5,832,525
	<u>11,293,210</u>	<u>11,845,636</u>	<u>23,138,846</u>
Less accumulated depreciation/amortization			
Infrastructure		(395,197)	(395,197)
Right-to-use leased assets		(43,204)	(43,204)
	<u>-</u>	<u>(438,401)</u>	<u>(438,401)</u>
Capital assets, net	<u>\$ 11,293,210</u>	<u>\$ 11,407,235</u>	<u>\$ 22,700,445</u>

Depreciation/amortization expense for the current fiscal year was \$438,401.

Fort Bend County Municipal Utility District No. 253
Notes to Financial Statements
April 30, 2025

During the current fiscal year, the District exercised the purchase option included in the lease agreement for water treatment plant phase 1. This resulted in the elimination of the right-to-use leased asset and the recognition of the water treatment plant as infrastructure. See Note 7 for additional information.

Note 5 – Due to Developers

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

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

Due to developer, beginning of year	\$ 391,800
Developer funded construction	25,233,884
Developer advances	2,105,000
Due to developer, end of year	<u>\$ 27,730,684</u>

In addition, the District will owe the developers approximately \$15,910,000, which is included in the following schedule of contractual commitments. The projects in this schedule are in varying stages of completion and, as previously noted, will be reported in the government-wide financial statements upon completion of construction. The exact amount is not known until approved by the TCEQ and verified by the District's auditor.

	Contract Amount*
Wallingford Park Drive Phase 3 - utilities	\$ 1,140,000
Wallingford Park Drive Phase 3 - paving	1,150,000
Brookewater Section 7 - utilities	1,240,000
Brookewater Section 7 - paving	1,000,000
Brookewater Section 9 Amenity Center- utilities	1,910,000
Brookewater Section 9 Amenity Center- paving	1,050,000
Storm water detention to serve Brookewater Phase 1	6,210,000
Brookewater Sections 1 and 3 - landscaping	490,000
Brookewater Sections 2, 4 and 12 - landscaping	1,320,000
Brookewater Wallingford entry	140,000
Brookewater Section 7 - landscaping	260,000
	<u>\$ 15,910,000</u>

*Rounded to nearest \$10,000.

Fort Bend County Municipal Utility District No. 253
Notes to Financial Statements
April 30, 2025

Note 6 – 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 April 30, 2025, the District recorded transfers to other governments in the amount of \$8,064,017 for road facilities constructed by a developer within the District.

Note 7 – Lease Obligations

The District has entered into multiple equipment lease agreements for a wastewater treatment plant and a water treatment plant. The terms of these leases resulted in the recognition of right-to-use leased assets and lease obligations in the government-wide statements measured at the present value of future lease payments.

During the current year, the District exercised the purchase option included in the lease agreement for water treatment plant phase 1 lease. This resulted in the elimination of the lease liability and intangible right-to-use leased asset in the amount of \$5,460,685.

The District's remaining lease is for a wastewater treatment plant, which was entered into on November 1, 2023. This lease is for a 120-month term at rate of 12% with payments commencing January 1, 2025. The lease agreement shall automatically be extended on a month-to-month basis after the initial term, unless otherwise terminated. The District recognized a lease liability and an intangible right-to-use leased asset in the amount of \$5,832,525, which was measured at the present value remaining lease payments at inception of the lease. The remaining balance of the liability at April 30, 2025, is \$3,829,787. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. Monthly payments for the wastewater treatment plant lease are \$39,000. Additionally, the lease required the District to make a \$2,000,000 prepayment within ten days of the commencement of regular monthly payments. During the current year, the District made payments of \$2,156,000, which included principal of \$2,002,738 (includes prepayment) and interest of \$153,262.

Annual requirements to amortize long-term lease obligations and related interest are as follows:

Year Ended	Principal	Interest	Total
2026	\$ 8,901	\$ 459,099	\$ 468,000
2027	10,030	457,970	468,000
2028	11,302	456,698	468,000
2029	68,769	454,431	523,200
2030	196,475	437,125	633,600
2031 - 2035	3,534,310	1,677,184	5,211,494
	<u>\$ 3,829,787</u>	<u>\$ 3,942,507</u>	<u>\$ 7,772,294</u>
Due within one year	<u>\$ 8,901</u>	<u>\$ 459,099</u>	<u>\$ 468,000</u>

Fort Bend County Municipal Utility District No. 253
Notes to Financial Statements
April 30, 2025

Note 8 – Long-Term Debt

At April 30, 2025, the District had \$790,000,000 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 \$158,000,000 for the refunding of such bonds; \$85,000,000 for parks and recreational facilities and \$17,000,000 for the refunding of such bonds; \$422,000,000 for road improvements and \$84,400,000 for the refunding of such bonds.

Note 9 – Property Taxes

On May 6, 2023, 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 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 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of \$1.50 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$139,230 on the adjusted taxable value of \$9,281,988.

Note 10 – Strategic Partnership Agreement

On May 16, 2023, the District approved a Strategic Partnership Agreement (the “agreement”), with the City of Rosenberg (the “City”), that became effective upon final execution by the City on May 7, 2024. Pursuant to the Agreement, the City will not fully annex the District until the earlier one of the following conditions have been met: 1) until ninety percent of the District’s water, wastewater, drainage and paving facilities (the “Facilities”) have been constructed (“Substantial Completion”) or 30 years from the date of the Agreement, whichever comes first and its developer have been reimbursed as allowed by the TCEQ; 2) at a point earlier than Substantial Completion if the City agrees that the developer may advance funds for the Facilities until Substantial Completion and the City will reimburse the developer as allowed by the TCEQ; or 3) at the expiration of the Agreement’s 30 year term. In addition, the City may annex, for limited purposes, any commercial portions of the District at any given time. In such event, any annexed commercial property shall remain in the boundaries of the District which the District continues to exercise all powers and functions of a municipal utility district.

In the event the City elects to annex commercial property for limited purposes, the City shall impose its sale and use tax upon the annexed commercial property and pay to the District an amount equal to 50% of the monthly sales and use tax revenues.

Note 11 – Agreements with the City of Rosenberg

Emergency Water Supply Contract

On April 4, 2023, the District and the City of Rosenberg (the “City”) entered into an Emergency Water Supply Agreement whereas both parties wish to provide for the connection of the District’s water system to the City system to serve as an emergency interconnection that will provide supplemental water to either party in the event of an emergency. The rate to be billed per the agreement will be at the supply party’s water rates for single-family residences in effect at the time per thousand gallons of water provided plus any pumpage or other regulatory fee. The term of the agreement is 30 years and will renew for successive one-year terms until terminated by either party.

Interim Water Supply Contract

On October 17, 2023, the District and the City entered into an Interim Water Supply Contract for the City to provide the District water on an interim basis to serve 200 equivalent single-family connections (“ESFCs”), or 91,000 gallons per day average daily flow, until the District completes construction of water plant facilities to serve the area within its boundaries. Under the agreement, the District must pay the City at a rate of one-and-one half times the rates established by the City for water usage per 1,000 gallons plus any pumpage or other regulatory fees. During the current fiscal year, the District purchased interim water supply from the City in the amount of \$68,769.

Note 12 – 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 13 – 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.

(This page intentionally left blank)

Required Supplementary Information

Fort Bend County Municipal Utility District No. 253
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended April 30, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	\$ -	\$ -	\$ 30,733	\$ 30,733
Sewer service			43,486	43,486
Property taxes		130,000	133,868	3,868
Penalties and interest			1,793	1,793
Regional water authority fees			16,177	16,177
Tap connection and inspection		200,000	465,785	265,785
Miscellaneous			19,925	19,925
Investment earnings			188	188
Total Revenues		330,000	711,955	381,955
Expenditures				
Current service operations				
Purchased services			68,769	(68,769)
Professional fees	130,000	130,000	216,992	(86,992)
Contracted services	15,000	35,000	74,140	(39,140)
Repairs and maintenance	25,000	49,000	78,762	(29,762)
Administrative	25,500	27,600	24,202	3,398
Other	5,000	5,000	42,332	(37,332)
Capital outlay			136,454	(136,454)
Debt Service				
Lease- principal	468,000	222,186	2,002,738	(1,780,552)
Lease- interest			153,262	(153,262)
Total Expenditures	668,500	468,786	2,797,651	(2,328,865)
Revenues Under Expenditures	(668,500)	(138,786)	(2,085,696)	(1,946,910)
Other Financing Sources				
Developer advances	668,500	114,786	2,105,000	1,990,214
Net Change in Fund Balance		(24,000)	19,304	43,304
Fund Balance				
Beginning of the year	46,242	46,242	46,242	
End of the year	\$ 46,242	\$ 22,242	\$ 65,546	\$ 43,304

Fort Bend County Municipal Utility District No. 253
Notes to Required Supplementary Information
April 30, 2025

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. The budget was amended during the year to reflect changes in anticipated revenues and expenditures.

(This page intentionally left blank)

Texas Supplementary Information

Fort Bend County Municipal Utility District No. 253

TSI-1. Services and Rates

April 30, 2025

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

- ☒ Retail Water ☐ Wholesale Water ☐ Solid Waste / Garbage ☒ Drainage
☒ Retail Wastewater ☐ Wholesale Wastewater ☐ Flood Control ☐ Irrigation
☐ Parks / Recreation ☐ Fire Protection ☒ Roads ☐ Security
☒ 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 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 32.25	8,000	N	\$ 1.00	8,001	to 15,000
				\$ 1.50	15,001	to 30,000
				\$ 20.00	30,001	to no limit
Wastewater:	\$ 53.25	- 0 -	Y			to
Surcharge:	\$ 3.32	1,000	Y			to

District employs winter averaging for wastewater usage? ☐ Yes ☒ No

Total charges per 10,000 gallons usage:

Water \$ 67.47 Wastewater \$ 53.25

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"	157	154	x 1.0	154
1"	29	29	x 2.5	73
1.5"	3	3	x 5.0	15
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	189	186		242
Total Wastewater	185	182	x 1.0	182

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 253
TSI-1. Services and Rates
April 30, 2025

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

Gallons purchased*:	<u>5,659,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>5,659,000</u>	(Gallons billed / Gallons pumped)
		<u>100.00%</u>

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

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

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

5. Location of District:

Is the District located entirely within one county? Yes ☒ No ☐

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

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

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

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

Entirely ☒ Partly ☐ Not at all ☐

ETJs in which the District is located: City of Rosenberg

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

If Yes, by whom? _____

*Interim water supply purchased from the City of Rosenberg.

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 253
TSI-2. General Fund Expenditures
For the Year Ended April 30, 2025

Purchased services	\$ 68,769
Professional fees	
Legal	113,191
Audit	14,000
Engineering	89,801
	<u>216,992</u>
Contracted services	
Bookkeeping	13,676
Operator	47,960
Tax Collection fees	8,268
Central appraisal district	700
Garbage collection	3,536
	<u>74,140</u>
Repairs and maintenance	<u>78,762</u>
Administrative	
Directors fees	7,293
Insurance	10,817
Other	6,092
	<u>24,202</u>
Other	<u>42,332</u>
Capital outlay	<u>136,454</u>
Debt service	
Lease - Principal	2,002,738
Lease - Interest	153,262
	<u>2,156,000</u>
Total expenditures	<u><u>\$ 2,797,651</u></u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 253
TSI-4. Taxes Levied and Receivable
April 30, 2025

		Maintenance Taxes
Taxes Receivable, Beginning of Year	\$	805
Adjustments to Prior Year Tax Levy		(5,341)
Adjusted Receivable		(4,536)
2024 Original Tax Levy		105,445
Adjustments		33,785
Adjusted Tax Levy		139,230
Total to be accounted for		134,694
Tax collections, net of refunds:		
Current year		138,405
Prior years		(4,536)
Total Collections		133,869
Taxes Receivable, End of Year	\$	825
Taxes Receivable, By Years		
2024	\$	825
	2024	2023
Property Valuations:		
Land	\$ 15,264,641	\$ 3,272,650
Improvements		311,054
Exemptions	(5,982,653)	(2,973,139)
Total Property Valuations	\$ 9,281,988	\$ 610,565
Tax Rates per \$100 Valuation:		
Maintenance tax rates	\$ 1.50	\$ 1.50
Adjusted Tax Levy:	\$ 139,230	\$ 9,158
Percentage of Taxes Collected to Taxes Levied ***	99.41%	100%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 6, 2023

** Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on May 6, 2023

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

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 253

**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Three Fiscal Years**

	Amounts		
	2025	2024	2023**
Revenues			
Water service	\$ 30,733	\$ -	\$ -
Sewer service	43,486		
Property taxes	133,868	13,694	
Penalties and interest	1,793		
Regional water authority fees	16,177		
Tap connection and inspection	465,785		
Miscellaneous	19,925	5,470	
Investment earnings	188		
Total Revenues	711,955	19,164	
Expenditures			
Current service operations			
Purchased services	68,769		
Professional fees	216,992	266,753	35,124
Contracted services	74,140	14,831	1,028
Repairs and maintenance	78,762		15,000
Administrative	24,202	21,119	6,241
Other	42,332	3,838	788
Capital			
Capital outlay	136,454		
Right-to-use lease asset		11,293,210	
Debt service			
Lease - principal	2,002,738		
Lease - interest	153,262		
Total Expenditures	2,797,651	11,599,751	58,181
Revenues Under Expenditures	\$ (2,085,696)	\$ (11,580,587)	\$ (58,181)
Total Active Retail Water Connections	189	N/A	N/A
Total Active Retail Wastewater Connections	185	N/A	N/A

*Percentage is negligible

**Unaudited

See accompanying auditor's report.

Percent of Fund Total Revenues		
2025	2024	2023**
4%		-%
6%		
19%	71%	
*		
2%		
66%		
3%	29%	
*		
100%	100%	-
10%		
30%	1392%	-
10%	77%	-
11%		-
3%	110%	-
6%	20%	-
		-
19%		
	58929%	
281%		-
22%		-
392%	60528%	-
(292%)	(60428%)	-%

Fort Bend County Municipal Utility District No. 253
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2025

Complete District Mailing Address: 202 Century Square Blvd., Sugar Land, TX 77478
District Business Telephone Number: (281) 500 - 6050
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): February 3, 2023
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Kayvon Tabrizi	05/24 - 05/28	\$ 1,326	\$ 22	President
Barrett Von Blon	05/23 - 05/26	1,105	22	Vice President
Ronnie Harris	05/23 - 05/26	1,768	27	Secretary
Travis Smith	05/23 - 05/26	1,326	63	Assistant Vice President
Daniela Medina	05/24 - 05/28	1,768	49	Assistant Secretary
Consultants				
		Amounts Paid		
The Muller Law Group	2023			Attorney
<i>General legal fees</i>		\$ 114,030		
Si Environmental, LLC	2023	222,452		Operator
District Data Services, Inc.	2023	13,613		Bookkeeper
Assessments of the Southwest, Inc.	2023	4,757		Tax Collector
Fort Bend Central Appraisal District	Legislation	700		Property Valuation
TBG Partners	2023			Landscape Architect
Perdue, Brandon, Fielder, Collins & Mott, LLP	2024			Delinquent Tax Attorney
Edminster Hinshaw Russ & Associates, Inc.	2023	90,725		Engineer
McGrath & Co., PLLC	2024	14,000		Auditor
Robert W. Baird & Co., Inc.	2023			Financial Advisor

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

See accompanying auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN