

OFFICIAL STATEMENT DATED OCTOBER 16, 2025

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, SUBJECT TO THE MATTERS DESCRIBED UNDER “LEGAL MATTERS” HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE “LEGAL MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE BEEN DESIGNATED “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “LEGAL MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS.”

NEW ISSUE-BOOK-ENTRY-ONLY

Insured Rating (BAM): S&P “AA” (stable)
See “MUNICIPAL BOND RATING” and
“MUNICIPAL BOND INSURANCE”

\$4,000,000

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT *(A political subdivision of the State of Texas located within Brazoria County)*

UNLIMITED TAX ROAD BONDS SERIES 2025

Dated Date: November 1, 2025

Due: September 1, as shown below

Interest Accrual Date: Date of Delivery

The \$4,000,000 Unlimited Tax Road Bonds, Series 2025 (the “Bonds”) are being issued by Rancho Isabella Municipal Utility District (the “District”). Principal of the Bonds is payable at maturity or prior redemption. Interest on the Bonds initially accrues from the initial date of delivery (expected to be on or about November 18, 2025) (the “Date of Delivery”), and is initially payable on March 1, 2026. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each September 1 and March 1 until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity as shown below.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial Owners (as defined herein under “BOOK-ENTRY-ONLY SYSTEM.”) of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. in Houston, Texas (the “Paying Agent/Registrar”), directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See “BOOK-ENTRY-ONLY SYSTEM.”



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (“BAM” or the “Insurer”). See “MUNICIPAL BOND INSURANCE” herein.

MATURITY SCHEDULE

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)
2028	\$ 95,000	6.500 %	2.75 %	75212K EA5	2043	\$ 200,000 (a)	4.375 %	4.47 %	75212K ER8
2029	100,000	6.500	2.78	75212K EB3	2044	210,000 (a)	4.500	4.52	75212K ES6
2030	105,000	6.500	2.93	75212K EC1	2045	225,000 (a)	4.500	4.56	75212K ET4
2031	110,000	6.500	3.08	75212K ED9	2046	235,000 (a)	4.500	4.59	75212K EU1
2032	115,000 (a)	6.500	3.23	75212K EE7	2047	245,000 (a)	4.500	4.62	75212K EV9
2033	120,000 (a)	6.500	3.38	75212K EF4	2048	260,000 (a)	4.500	4.64	75212K EW7
2034	125,000 (a)	6.500	3.50	75212K EG2	2049	275,000 (a)	4.625	4.66	75212K EX5
***	***	***	***	***	2050	290,000 (a)	4.625	4.68	75212K EY3

\$275,000 Term Bonds due September 1, 2036 (a), 75212K EJ6 (c), 4.000% Interest Rate, 3.80% Yield (b)

\$305,000 Term Bonds due September 1, 2038 (a), 75212K EL1 (c), 4.000% Interest Rate, 4.00% Yield (b)

\$340,000 Term Bonds due September 1, 2040 (a), 75212K EN7(c), 4.125% Interest Rate, 4.20% Yield (b)

\$370,000 Term Bonds due September 1, 2042 (a), 75212K EQ0(c), 4.375% Interest Rate, 4.40% Yield (b)

- (a) Bonds maturing on or after September 1, 2032, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on September 1, 2031, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as described herein. See “THE BONDS—Redemption Provisions.”
- (b) Initial Reoffering Yield represents the initial offering yield to the public, which has been established by the Underwriter (hereinafter defined) for offers to the public and which subsequently may be changed.
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Brazoria County, the City of Angleton, or any entity other than the District. **INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See “RISK FACTORS.”**

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about November 18, 2025.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas, 77056, upon payment of the costs of duplication thereof.

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 purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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. However, the District has agreed to keep this OFFICIAL STATEMENT current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this OFFICIAL STATEMENT until delivery of the Bonds to the Underwriter and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement."

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by Robert W. Baird & Co., Inc. (the "Underwriter"), paying the interest rates shown on the cover page hereof, at a price of 97.00% of the principal amount thereof which resulted in a net effective interest rate of 4.759696% as calculated pursuant to Chapter 1204, Texas Government Code, as amended (the IBA method).

Prices and Marketability

Information concerning initial reoffering yields or prices is the responsibility of the Underwriter.

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

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of 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 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 offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

<i>Description...</i>	The District is a political subdivision of the State of Texas, created by an order of the Texas Water Commission, the predecessor to the Texas Commission on Environmental Quality (the “TCEQ”), dated March 18, 1981, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District at the time of its creation contained approximately 428 acres of land. Since its creation, the District has excluded approximately 273 acres of land from its boundaries and currently consists of approximately 155 acres of land. See “THE DISTRICT.”
<i>Location...</i>	The District is located in Brazoria County, approximately 3 miles from the City of Angleton (the “City”) and is bounded by Farm-to-Market 523 on the north, East Henderson Road on the south and is located approximately one quarter of a mile west of State Highway 35. The District is located within the extraterritorial jurisdiction of the City, wholly located within Brazoria County and within boundaries of Angleton Independent School District. See “THE DISTRICT—Description and Location” and “AERIAL LOCATION MAP.”
<i>The Developer...</i>	Emptor Angleton, LLC, a Texas limited liability company whose co-managers are CCDL Ventures, LLC and Concourse Companies, LLC (the “Developer”) is developing land within the District as Windrose Green. The Developer has completed the development of Windrose Green, Sections One through Five (472 single-family residential lots) on approximately 94 acres. Windrose Green, Section Six (78 single-family residential lots on approximately 16 acres) and Section Seven (62 single-family residential lots on approximately 12 acres) are currently under construction with completion expected in the fourth quarter of 2025. The Developer also owns approximately 6 acres of additional developable land in the District. See “RISK FACTORS—Dependence on Principal Taxpayers,” “THE DEVELOPER,” “TAX DATA—Principal Taxpayers,” and “APPENDIX A.”
<i>Status of Development...</i>	Single-family residential development in the District consists of Windrose Green, Sections One through Five (472 single-family residential lots on approximately 94 acres). According to the Developer, as of September 1, 2025, 246 homes were completed (231 occupied), including 5 model homes, 20 homes were under construction and 206 vacant developed lots were available for home construction. In addition, Windrose Green, Section Six (78 single-family residential lots on approximately 16 acres) and Section Seven (62 single-family residential lots on approximately 12 acres) are currently under construction with completion expected in the fourth quarter of 2025. According to the Developer, the average sales price of homes in Windrose Green ranges from approximately \$215,000 to approximately \$570,000. See “THE DISTRICT—Land Use,” “—Status of Development” and “—Future Development.” The remainder of the District is comprised of approximately 27 acres that are not developable (lift station, detention ponds, parks and recreational and open space), and approximately 6 developable acres that have not yet been provided with utility service.
<i>The Builders...</i>	Homebuilders currently building homes in the District include CastleRock Communities, Coventry Homes, and Lennar Homes. See “THE DISTRICT—Homebuilding.”
<i>Water and Wastewater Facilities...</i>	Pursuant to a Water Supply and Wastewater Services Contract between the District and the City, the City provides retail water and sewer services to the residents in the District and all revenues from the collection of charges for water and sewer services are paid directly to the City. See “WATER SUPPLY AND WASTEWATER SERVICES CONTRACT WITH THE CITY” and “THE SYSTEM.”

Payment Record... The District has previously issued \$4,820,000 principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities in two series and \$3,980,000 principal amount of unlimited tax bonds for road facilities in two series, \$8,690,000 of which collectively remains outstanding (the “Outstanding Bonds”) as of the date hereof. The District capitalized fifteen (15) months of interest on the Series 2024 Bonds in October 2024, and will capitalize twelve (12) months of interest from proceeds of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.” The District has never defaulted on its debt obligations.

THE BONDS

Description... The \$4,000,000 Unlimited Tax Road Bonds, Series 2025 (the “Bonds”) are being issued as fully registered bonds pursuant to an order authorizing the issuance of the Bonds adopted by the District’s Board of Directors (the “Bond Order”). The Bonds are scheduled to mature serially on September 1 in each of the years 2028 through 2034, both inclusive, 2043 through 2050, both inclusive, and as term bonds maturing on September 1 in each of the years 2036, 2038, 2040, and 2042 (the “Term Bonds”), in the respective amounts and bearing interest at the rates for each maturity shown on the cover page hereof. The Bonds will be issued in book-entry form only in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from the Date of Delivery, and is payable on March 1, 2026. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each September 1 and March 1 until maturity or prior redemption. See “THE BONDS.”

Book-Entry-Only System... The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC or its designee. See “BOOK-ENTRY-ONLY SYSTEM.”

Redemption... Bonds maturing on or after September 1, 2032, are subject to redemption at the option of the District in whole, or from time to time in part, prior to their maturity dates on September 1, 2031, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

Use of Proceeds... Proceeds of the Bonds will be used to pay for engineering, and construction costs related to road facilities shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, proceeds from the Bonds will be used to capitalize twelve (12) months of interest on the Bonds; to pay for interest on funds advanced by the Developer on behalf of the District; and to pay engineering fees, administrative costs, and certain other costs related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Authority for Issuance... The Bonds are the third series of bonds issued out of an aggregate of \$28,375,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of financing and constructing road facilities to serve the land within its boundaries. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order (herein defined), Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “RISK FACTORS—Future Debt,” “THE BONDS—Authority for Issuance,” and “—Issuance of Additional Debt.”

Source of Payment... Principal of and interest on the Bonds and the Outstanding Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Brazoria County, the City, or any entity other than the District. See “THE BONDS—Source and Security for Payment” and “—Funds.”

<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) has assigned a municipal bond rating of “AA” (stable outlook) to the Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM”). No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. An explanation of the rating may be obtained from S&P. See “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”
<i>Qualified Tax-Exempt Obligations...</i>	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “LEGAL MATTERS—Qualified Tax-Exempt Obligations.”
<i>Bond Counsel...</i>	Schwartz, Page & Harding, L.L.P., Houston, Texas. See “MANAGEMENT OF THE DISTRICT—District Consultants” and “LEGAL MATTERS.”
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT—District Consultants.”
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas. See “MANAGEMENT OF THE DISTRICT—District Consultants.”
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

RISK FACTORS

The purchase and ownership of the Bonds are subject to special risk factors and all prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned “RISK FACTORS.”

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2025 Taxable Assessed Valuation.....	\$73,766,191	(a)
Estimated Taxable Assessed Valuation as of August 1, 2025	\$89,196,945	(b)
Gross Direct Debt Outstanding (the Outstanding Bonds and the Bonds).....	\$12,690,000	(c)
Estimated Overlapping Debt	<u>2,813,736</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$15,503,736	
Ratios of Gross Direct Debt to:		
2025 Taxable Assessed Valuation	17.20%	
Estimated Taxable Assessed Valuation as of August 1, 2025	14.23%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2025 Taxable Assessed Valuation	21.02%	
Estimated Taxable Assessed Valuation as of August 1, 2025	17.38%	
Funds Available for Debt Service:		
Water, Sewer & Drainage Debt Service Fund Balance as of September 8, 2025	\$ 99,576	(e)
Road Debt Service Fund Balance as of September 8, 2025.....	102,167	(e)
Capitalized Interest from proceeds of the Bonds (Twelve (12) months)	<u>191,219</u>	(e)(f)
Total Funds Available for Debt Service.....	\$392,962	
Funds Available for Maintenance and Operations as of September 8, 2025	\$299,084	
Funds Available for Water, Sewer & Drainage Capital Projects Fund	\$ 57,631	
Funds Available for Road Capital Projects Fund	\$ 51,128	(g)
2025 Debt Service Tax Rate.....	\$0.87	
2025 Maintenance Tax Rate.....	<u>0.58</u>	
Total 2025 Tax Rate.....	\$1.45	
Average Annual Debt Service Requirement (2026-2050).....	\$878,047	(h)
Maximum Annual Debt Service Requirement (2048).....	\$956,016	(h)
Tax Rates Required to Pay Average Annual Debt Service (2026-2050) at a 95% Collection Rate		
2025 Taxable Assessed Valuation	\$1.26	(i)
Based upon Estimated Taxable Assessed Valuation as of August 1, 2025.....	\$1.04	(i)
Tax Rates Required to Pay Maximum Annual Debt Service (2048) at a 95% Collection Rate		
2025 Taxable Assessed Valuation	\$1.37	(i)
Based upon Estimated Taxable Assessed Valuation as of August 1, 2025.....	\$1.13	(i)
Status of Development as of September 1, 2025 (j):		
Completed homes (231 homes occupied)	246	
Homes under construction or in the name of a builder	20	
Lots available for home construction.....	206	
Lots under construction.....	140	
Estimated population	809	(k)

- (a) The Brazoria County Appraisal District (the "Appraisal District") has certified \$73,496,686 of taxable value as of January 1, 2025. An additional \$269,505 (owners' opinion) of taxable value remains uncertified and subject to downward revision prior to certification. The 2025 Taxable Assessed Valuation shown throughout the OFFICIAL STATEMENT represents the certified value plus the uncertified value. See "TAXING PROCEDURES."
- (b) As provided by the Appraisal District. Such amount is only an estimate of the taxable assessed value on August 1, 2025, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2025 and August 1, 2025 will be certified as of January 1, 2026. See "TAXING PROCEDURES."
- (c) After issuance of the Bonds. Includes the Outstanding Bonds and the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt," and "—Overlapping Taxes."
- (e) Although all the District's debt, including the Outstanding Bonds and the Bonds, has been issued on a parity basis and is payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on bonds issued for the purpose of financing water, sanitary sewer, drainage and recreational facilities or to refund such bonds ("WSD&R Bonds"), and bonds issued for the purpose of acquiring or constructing road facilities or to refund such bonds ("Road Bonds"), including the Bonds, and deposited into separate sub-accounts within the District's Debt Service Fund. See "THE BONDS—Funds" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (f) The District will capitalize twelve (12) months of interest from Bond proceeds. See "THE BONDS—Funds" and "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (g) The District will contribute all available surplus Road Capital Projects Funds toward the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (h) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (i) See "RISK FACTORS—Possible Impact on District Tax Rates" and "TAX DATA—Tax Adequacy for Debt Service."
- (j) See "THE DISTRICT—Land Use" and "—Status of Development."
- (k) Based upon 3.5 persons per completed, occupied home.

OFFICIAL STATEMENT

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT *(A political subdivision of the State of Texas located within Brazoria County)*

\$4,000,000

UNLIMITED TAX ROAD BONDS SERIES 2025

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Rancho Isabella Municipal Utility District (the “District”) of its \$4,000,000 Unlimited Tax Road Bonds, Series 2025 (the “Bonds”).

The Bonds are issued by the District pursuant to Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”), and an election held within the District.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, certain other information about the District, Emptor Angleton, LLC, a Texas limited liability company (the “Developer”) and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of certain of the documents may be obtained from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056, upon payment of duplication costs therefor.

RISK FACTORS

General

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Brazoria County, the City of Angleton (the “City”), or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District’s bonded debt or, in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See “THE BONDS—Source and Security for Payment.” The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See “Registered Owners’ Remedies” below.

Dependence on Principal Taxpayers

The ten principal taxpayers within the District represent \$10,465,678 or 14.24% of the certified portion (\$73,496,686) of the 2025 Taxable Assessed Valuation of \$73,766,191, which represents ownership as of January 1, 2025. Principal taxpayer lists related to the uncertified portion (\$269,505) of the 2025 Taxable Assessed Valuation, and the Estimated Taxable Assessed Valuation as of August 1, 2025, of \$89,196,945 are not available. If the Developer or another principal taxpayer were to default in the payment of taxes in an amount which exceeds the balance in the debt service fund (see “THE BONDS—Source and Security for Payment”), the ability of the District to make timely payment of debt service on the Bonds would be dependent on the ability of the District to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in the District being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Orders to maintain any specified amount of surplus in its debt service funds. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis could have a material adverse effect upon the District’s ability to pay debt service on the Bonds on a current basis. See “THE DEVELOPER” and “TAX DATA—Principal Taxpayers.”

Undeveloped Acreage and Vacant Lots

There are approximately 6 developable acres of land within the District that have not been fully provided with water, wastewater, storm drainage and paving facilities necessary to the construction of new development and 206 single-family residential lots that remain vacant as of September 1, 2025 (excluding 140 single-family residential lots under construction on approximately 28 acres expected to be completed in the fourth quarter of 2025). Future increases in taxable value will result primarily from the construction of lots and homes by the homebuilders and development of the 6 developable acres by the Developer. Failure of the Developer to develop the developable land or of homebuilders to construct homes on the developed lots could restrict the rate of growth of taxable values in the District. The District makes no representation as to when or if development of the undeveloped acreage will occur or the success of any homebuilding programs. See “THE DISTRICT—Land Use” and “—Status of Development.”

Developer/Landowner Obligation to the District

There are no commitments from or obligations of the Developer or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots or developed tracts of land could restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable value.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, undeveloped land and developed lots available for the construction of primary residences. The market value of such properties, homes, lots and undeveloped land is related to general economic conditions affecting the demand for residences. Demand for lots and undeveloped land of this type and the construction of residential improvements thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See “Credit Markets and Liquidity in the Financial Markets” below, and “THE DISTRICT—Homebuilding.”

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 25 miles southeast from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the greater Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the City and the nation could adversely affect development and building plans in the District and restrain the growth or reduce the value of the District's property tax base.

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 Developer 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 Developer or homebuilders.

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2025 Taxable Assessed Valuation is \$73,766,191 (\$73,496,686 of certified value plus \$269,505 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be \$956,016 (2048), and the average annual debt service requirement will be \$878,047 (2026-2050 inclusive). Assuming no increase or decrease from the 2025 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$1.37 and \$1.26 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay both the maximum annual debt service requirement and the average annual debt service requirements, respectively. The Estimated Taxable Assessed Valuation as of August 1, 2025 is \$89,196,945, which reduces the above tax calculations to \$1.13 and \$1.04 per \$100 of taxable assessed valuation, respectively. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “TAX DATA—Tax Adequacy for Debt Service.”

No representation or suggestion is made that the uncertified portion of the 2025 Taxable Assessed Valuation will not be adjusted downward prior to certification or that the Estimated Taxable Assessed Valuation as of August 1, 2025 will be the amount finally certified by the Appraisal District and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

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 or homebuilding activity within the District. The District cannot predict the impact that negative conditions in the oil and gas industry could have on property values in the District.

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

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

Specific Flood Type Risks

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 manmade drainage systems (canals or channels) downstream.

Coastal (or Storm Surge) Flood: Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves, and low atmospheric pressure. Storm surge is extremely dangerous, because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

Atlas 14

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 upon the Atlas 14 study, which is based upon 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. See "THE SYSTEM."

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes, that have already been paid. See "TAXING PROCEDURES—District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

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

Notwithstanding noncompliance by a district with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning District relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District's voters have authorized the issuance of a total of \$28,375,000 in principal amount of unlimited tax bonds for the purposes of financing and constructing road facilities. The District's voters have also authorized issuance of a total of \$76,645,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and a total of \$16,075,000 unlimited tax bonds for the purpose of acquiring or constructing recreational facilities. The District's voters have also authorized a total of \$121,095,000 unlimited tax bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. After issuance of the Bonds, \$20,395,000 principal amount of road bonds, \$71,825,000 principal amount of water, sanitary sewer and drainage bonds, and all of the unlimited tax bonds for the purpose of refunding outstanding bonds and acquiring or constructing recreational facilities will remain authorized but unissued. See "THE BONDS—Issuance of Additional Debt," "—Financing Recreational Facilities," and "—Financing Road Facilities." The District's voters could authorize additional unlimited tax bonds for water, sewer, and drainage facilities, road facilities, and recreational facilities, and for refunding outstanding bonds of the District. The issuance of additional bonds for water, sanitary sewer, drainage and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. The issuance of additional bonds for road facilities is currently not subject to approval by the TCEQ. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of the Bonds.

After reimbursement with proceeds from the Bonds, the District will continue to owe funds to the Developer in the amount of approximately \$13,650,000 plus interest for advances made for the engineering and construction of water, sanitary sewer, drainage facilities, and roads. The District intends to issue additional bonds in order to fully reimburse the Developer and to provide such facilities to the remainder of undeveloped but developable land (approximately 6 acres, excluding 140 single-family residential lots on approximately 28 acres expected to be completed in the fourth quarter of 2025). In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in value of the taxable property in the District. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. See "Overlapping Debt and Taxes" in this section and "THE BONDS—Issuance of Additional Debt," "—Financing Recreational Facilities," "—Financing Road Facilities," and "—Financing Fire-Fighting Facilities."

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See "LEGAL MATTERS—Tax Exemption."

Marketability of the Bonds

The District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price 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.

Environmental and Air Quality 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 Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under 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 requirement.

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.

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

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

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

2025 Legislative Session

The Texas Legislature convened for the 89th Regular Legislative Session on January 14, 2025, and concluded on June 2, 2025. The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas Legislature is not in session, the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the District. On August 15, 2025, the Governor called the second special session which concluded on September 3, 2025. The District can make no representation regarding any actions the Texas Legislature may take or the effect of such actions.

Future Legislation

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into an agreement with Build America Mutual Assurance Company (“BAM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer (the “Insurer”) and its claim paying ability. The 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 Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE.”

The obligations of the Insurer are contractual obligations and in an event of default by the 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 has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the 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 Insurer, particularly over the life of the investment. See “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

THE BONDS

General

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

Description

The Bonds will be dated November 1, 2025, with interest payable on March 1, 2026, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery to the Underwriter(s) thereof, and thereafter, from the most recent Interest Payment Date. Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months. The Bonds mature on September 1 of the years and in the amounts shown under “MATURITY SCHEDULE” on the cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein (“Registered Owners”). No physical delivery of the Bonds will be made to the purchasers thereof. See “BOOK-ENTRY-ONLY SYSTEM.”

Authority for Issuance

At an election held within the District on May 1, 2021, voters of the District authorized a total of \$28,375,000 in principal amount of unlimited tax bonds for the purpose of financing or constructing road facilities. The Bonds constitute the third issuance of bonds from such authorization. After issuance of the Bonds, a total of \$20,395,000 in principal amount of unlimited tax bonds for road facilities will remain authorized but unissued. See “Issuance of Additional Debt” herein.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article III, Section 52 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and the general laws of the State of Texas relating to the issuance of the bonds by political subdivisions of the State of Texas. At the above-described election, voters in the District also authorized a total of \$76,645,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and a total of \$16,075,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities. No bonds have been issued from the parks and recreational facilities authorization. See “Financing Recreational Facilities” and “Financing Road Facilities” below.

Source and Security for Payment

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

Funds

The Bond Order confirms the prior creation of the District's Debt Service Fund (the "Debt Service Fund"), including the sub-accounts which are used to separate funds received to pay debt service on bonds issued to finance water, sewer, drainage, and recreational facilities, or to refund such bonds ("WSD&R Bonds") from funds received to pay debt service on bonds issued to finance road facilities or to refund such bonds ("Road Bonds"). The Bond Order also confirms the District's Construction Fund, including the sub-accounts which are used to separate proceeds from WSD&R Bonds and Road Bonds. Twelve (12) months of interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the sub-account of the Debt Service Fund created in respect of Road Bonds. All remaining proceeds of the Bonds will be deposited in the sub-account of the Construction Fund created in respect of Road Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of Bond proceeds.

The proceeds from all taxes levied, appraised and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, into the sub-account of the Debt Service Fund created in respect of Road Bonds. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and funds in the sub-accounts created in respect of Road Bonds are to be used for payment of debt service on the Bonds and any of the District's duly authorized Road Bonds, whether heretofore, hereunder or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-accounts of the Debt Service Fund created in respect of Road Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any of the District's duly authorized Road Bonds, whether heretofore, hereunder or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due or to become due on Road Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in the sub-account created in respect of WSD&R Bonds, will not be available for payment of the Bonds.

Record Date

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

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1 in each of the years 2036, 2038, 2040, and 2042 (the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Redemption Date"), on September 1 in each of the years and in the principal amount set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

\$275,000 Term Bonds		\$305,000 Term Bonds	
Due September 1, 2036		Due September 1, 2038	
Mandatory	Principal	Mandatory	Principal
<u>Redemption Date</u>	<u>Amount</u>	<u>Redemption Date</u>	<u>Amount</u>
2035	\$ 135,000	2037	\$ 150,000
2036 (maturity)	140,000	2038 (maturity)	155,000

\$340,000 Term Bonds		\$370,000 Term Bonds	
Due September 1, 2040		Due September 1, 2042	
Mandatory	Principal	Mandatory	Principal
<u>Redemption Date</u>	<u>Amount</u>	<u>Redemption Date</u>	<u>Amount</u>
2039	\$ 165,000	2041	\$ 180,000
2040 (maturity)	175,000	2042 (maturity)	190,000

Notice of the mandatory redemption of the Term Bonds will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See “BOOK-ENTRY-ONLY-SYSTEM.”

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds (including any Term Bonds) maturing on and after September 1, 2032, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2031, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon through the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See “BOOK-ENTRY-ONLY SYSTEM.” Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

Effects of Redemption: By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds (including any Term Bonds) or portions thereof to be redeemed, plus accrued interest to the redemption date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See “BOOK-ENTRY-ONLY SYSTEM.”

Registration

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

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of \$28,375,000 in principal amount of unlimited tax bonds for the purposes of acquiring or constructing road facilities. The District's voters have also authorized issuance of a total of \$76,645,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts, and a total of \$16,075,000 unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and could authorize additional amounts. The District voters have also authorized a total of \$121,095,000 unlimited tax bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. After issuance of the Bonds, \$20,395,000 in principal amount of unlimited tax bonds for road facilities, \$71,825,000 in principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities and all of the unlimited tax bonds for the purpose of refunding outstanding bonds and acquiring or constructing recreational facilities will remain authorized but unissued. The District's voters could authorize additional unlimited tax bonds for water, sewer, and drainage facilities, road facilities, and recreational facilities, and for refunding outstanding bonds of the District. Issuance of additional bonds for water, sanitary sewer and drainage facilities, and/or for recreational facilities, is subject to the approval of the TCEQ. Additional bonds may also be issued for road facilities, which bonds do not currently require TCEQ approval. See "RISK FACTORS—Future Debt," "—Financing Recreational Facilities" and "—Financing Road Facilities" herein, and "THE DISTRICT—General."

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the district duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the district at the time of issuance of the bonds, or, in the event the District meets certain conditions, 3% of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the district obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the district is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per \$100 of assessed valuation of taxable property in the district, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

At an election held within the District on May 1, 2021, voters of the District authorized a total of \$16,075,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities, all of which remains authorized but unissued, and could authorize additional amounts.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Financing Road Facilities

Pursuant to the provisions of the Texas Constitution and Chapter 54 Texas Water Code, as amended, conservation and reclamation districts created pursuant to said Chapter 54 are authorized to develop and finance with property taxes certain road facilities following the granting of road powers by the TCEQ and a successful District election to approve the issuance of road bonds payable from taxes. The TCEQ granted road powers to the District and at an election held within the District on May 1, 2021, voters of the District authorized a total of \$28,375,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities. After issuance of the Bonds, a total of \$20,395,000 in principal amount of unlimited tax bonds for said improvements and facilities will remain authorized but unissued. See "—Issuance of Additional Debt" herein. Issuance of additional bonds for road facilities may dilute the investment security for the Bonds.

Financing Fire-Fighting Activities

The District is authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Annexation by the City

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District may be annexed for full purposes by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City hold an election in the District where by the qualified voters of the District approved the proposed annexation.

If the District is annexed, the City must assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur. Under the terms of the SPA (as hereinafter defined) between the District and the City, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) until at least seventy-five percent (75%) of the District's water, wastewater and drainage facilities, road facilities and recreational facilities have been constructed, and either Developer or its assigns have been fully reimbursed to the maximum extent permitted by TCEQ rules or the City has agreed to assume the District's obligations to reimburse Developer. See "THE DISTRICT—Strategic Partnership Agreement." The District could consent to a full purpose annexation prior to that time by agreeing to amend the SPA to such effect, however, the District currently has no intention to do so.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Certain traditional legal remedies may also not be available. See "RISK FACTORS—Registered Owners' Remedies."

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning The Depository Trust Company ("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 or completeness thereof.

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is 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 requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S.

securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of “AA+” from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect 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 the District (or the Trustee on behalf thereof) 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).

Principal, premium, if any, interest payments and redemption proceeds 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 Paying Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds 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, 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. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were prepared by Pape-Dawson Engineers, Inc. (the “Engineer”) and Masterson Advisors LLC (the “Financial Advisor”). Nonconstruction costs are based upon either contract amounts or estimates of various costs from the Engineer and Masterson Advisors LLC (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 agreed-upon procedures are completed by an independent accountant. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used.

CONSTRUCTION RELATED COSTS

• Road Construction Costs	\$ 3,198,397
• Less: Surplus Funds (a).....	(51,143)
Total Construction Costs	\$ 3,147,254

NON-CONSTRUCTION COSTS

• Underwriter’s Discount.....	\$ 120,000
• Capitalized Interest (12 months) (b).....	191,219
• Developer Interest (estimated).....	271,523
Total Non-Construction Costs	\$ 582,742

ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$ 232,223
• Engineering Fees	15,000
• Attorney General Fee.....	4,000
• Contingency (b).....	18,781
Total Issuance Costs and Fees	\$ 270,004
TOTAL BOND ISSUE.....	\$ 4,000,000

- (a) The District will contribute available surplus Road Capital Projects Funds to reduce the issuance of the Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED).”
- (b) The District will capitalize twelve (12) months of interest from Bond proceeds. Contingency represents the difference between the estimated and actual amounts of capitalized interest.

THE DISTRICT

General

The District is a municipal utility district, created by an order of the Texas Water Commission, a predecessor to the TCEQ, dated March 18, 1981, under Article XVI, Section 59 of the Texas Constitution and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City, except as described below under "Strategic Partnership Agreement" is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities, or other political subdivisions after approval the TCEQ, and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and road facilities. See "THE BONDS—Issuance of Additional Debt," "—Financing Recreational Facilities," "—Financing Road Facilities," "—Financing Fire-Fighting Activities," "WATER SUPPLY AND WASTEWATER SERVICES CONTRACT WITH THE CITY" and "THE SYSTEM."

The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and firefighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City and filed in the real property records of Brazoria County, Texas. The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or the purposes of financing recreational facilities.

Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM—Regulation."

Description and Location

The District at the time of its creation contained approximately 428 acres of land. Since its creation the District has excluded approximately 273 acres of land from the District and currently consists of approximately 155 acres of land. The District is located in Brazoria County approximately 3 miles from the City, is bounded by Farm-to-Market 523 on the north, East Henderson Road on the south and is approximately one quarter of a mile west of State Highway 35. The District is located within the extraterritorial jurisdiction of the City, wholly within Brazoria County, Texas, and within the boundaries of Angleton Independent School District. See "AERIAL LOCATION MAP."

Strategic Partnership Agreement

The District and the City have entered into a Strategic Partnership Agreement dated effective March 10, 2020 (the "SPA"), pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for commercial purposes. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" until at least seventy-five percent (75%) of the District's water, wastewater and drainage facilities, road facilities and recreational facilities have been constructed, and either Developer or assigns have been fully reimbursed to the maximum extent permitted by TCEQ rules or the City has agreed to assume the District's obligations to reimburse Developer. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See "THE BONDS—Annexation by the City."

Land Use

The following table represents a detailed breakdown of the current acreage and development in the District.

	Approximate <u>Acres</u>	Total <u>Lots</u>
<i><u>Single-Family Residential</u></i>		
Windrose Green, Section One.....	32	148
Windrose Green, Section Two.....	13	70
Windrose Green, Section Three.....	22	122
Windrose Green, Section Four.....	14	65
Windrose Green, Section Five.....	13	67
Windrose Green, Section Six (a).....	16	78
Windrose Green, Section Seven (a).....	12	62
Subtotal.....	122	612
Future Development.....	6	36
Non-Developable (b).....	27	--
Subtotal.....	33	36
Totals.....	155	648

(a) Includes a lift station, detention ponds, parks and recreational and open space.

(b) Utility construction is currently underway with completion expected in the fourth quarter of 2025.

Status of Development

Single-family residential development in the District consists of Windrose Green, Sections One through Five (472 single-family residential lots on approximately 94 acres). According to the Developer, as of September 1, 2025, 246 homes were completed (231 occupied), including 5 model homes, 20 homes were under construction and 206 vacant developed lots were available for home construction. In addition, Windrose Green, Section Six (78 single-family residential lots on approximately 16 acres) and Section Seven (62 single-family residential lots on approximately 12 acres) are currently under construction with completion expected in the fourth quarter of 2025. According to the Developer, the average sales price of homes in Windrose Green ranges from approximately \$215,000 to approximately \$570,000.

The remainder of the District is comprised of approximately 27 acres that are not developable (lift station, detention ponds, parks and recreational and open space) and approximately 6 developable acres that have not yet been provided with utility service. See “Future Development” below.

Homebuilding

Homebuilders currently building homes in the District include CastleRock Communities, Coventry Homes, and Lennar Homes.

Future Development

Approximately 6 developable acres of land in the District are not yet fully served with water, wastewater, storm drainage and paving facilities necessary for the construction of taxable improvements (excluding approximately 28 acres where utility construction is currently underway for 140 single-family residential lots). While the District anticipates future development of this acreage, there can be no assurances when or if any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to fund water, sanitary sewer, drainage, road and recreational facilities within the District necessary to serve the land at full development. The Engineer has stated that under current development plans, the remaining authorized but unissued bonds (\$108,295,000 principal amount collectively for water, sanitary sewer, and drainage, roads, and recreational facilities after issuance of the Bonds) should be sufficient to finance the construction of facilities to complete the District’s water, sanitary sewer, drainage, road and recreational facilities for full development of the District. See “RISK FACTORS—Future Debt” and “THE BONDS—Issuance of Additional Debt.”

THE DEVELOPER

Role of a Developer

In general, the activities of a landowner or developer in a district such as the District include designing the project; defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. A developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Investors in the Bonds should note that the prior real estate experience of the Developer should not be construed as an indication that further development within the District will occur, or that construction of additional taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. The District cautions that the development experience of the Developer was gained in different markets and under different circumstances than those that exist in the District, and the prior success of the Developer is no indication or guarantee that the Developer will be successful in the future development of land within the District.

Emptor Angleton, LLC

Emptor Angleton, LLC, a Texas limited liability company whose co-managers are CCDL Ventures, LLC and Concourse Companies, LLC is developing land within the District as Windrose Green. The Developer has completed the development of Windrose Green, Sections One through Five (472 single-family residential lots) on approximately 94 acres, Windrose Green, Section Six (78 single-family residential lots on approximately 16 acres) and Section Seven (62 single-family residential lots on approximately 12 acres) are currently under construction with completion expected in the fourth quarter of 2025. The Developer also owns approximately 6 acres of additional developable land in the District.

Neither the Developers nor any affiliated companies have any legal commitment to the District or to owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of their property within the District, or any other assets, at any time. Further, the financial condition of the Developer is subject to change at any time. See "RISK FACTORS—Dependence on Principal Taxpayers" and "TAX DATA—Principal Taxpayers."

Obligations of the Developer

The Developer does not have any legal commitment to the District or to owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of their property within the District, or any other assets, at any time. Further, the financial condition of the Developer is subject to change at any time. See "RISK FACTORS—Dependence on Principal Taxpayers" and "TAX DATA—Principal Taxpayers."

Development Financing

Development of Windrose Green is provided through a loan totaling approximately \$21,814,935, maturing on September 28, 2026. The current balance of such loan is approximately \$6,982,083 as of July 18, 2025. All the proceeds of the Bonds that are payable to the Developer are pledged in their entirety to the bank lenders. According to the Developer, it is in compliance with all material terms of its loan agreement.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May in even numbered years. None of the Board members reside within the District; however, each of the Board members own land within the District. The current members and officers of the Board, along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas H. Smith	President	May 2026
Griffin Rich	Vice President	May 2026
DeAndrea Ware	Secretary	May 2028
Brendon Savino	Assistant Secretary	May 2026
Winston C. McKnight	Assistant Secretary	May 2028

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Bond Counsel and General Counsel: Schwartz, Page & Harding, L.L.P. (“Bond Counsel”) serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P., serves as Disclosure Counsel to the District. The fees to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor: Masterson Advisors LLC serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Engineer: The District’s consulting engineer is Pape-Dawson Engineers, Inc.

Auditor: The financial statements of the District as of September 30, 2024, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, independent auditors, as stated in their report appearing herein. The District has engaged McCall Gibson Swedlund Barfoot Ellis PLLC to audit its financial statements for the fiscal year ended September 30, 2025. See “APPENDIX A” for a copy of the District’s September 30, 2024, financial statements.

Bookkeeper: The District has contracted with Myrtle Cruz, Inc. (the “Bookkeeper”) for bookkeeping services.

Utility System Operator: The operator of the water and wastewater system serving the District is the City.

Tax Appraisal: The Brazoria County Appraisal District has the responsibility of appraising all property within the District. See “TAXING PROCEDURES.”

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Utility Tax Service, LLC (the “Tax Assessor/Collector”) has been employed by the District to serve in this capacity.

THE ROAD SYSTEM

The Bonds are being issued to finance the road system (the “Roads”) which serves the residents of the District by providing access to the major thoroughfares within Windrose Green and the surrounding area. The roads to be financed by the Bonds are within Windrose Green Sections Two, through Five. Upon completion, the Roads have been or will be accepted by Brazoria County for operation and maintenance in accordance with the procedures of Brazoria County. The District will not operate or maintain the Roads. See “THE BONDS—Financing Road Facilities” and “USE AND DISTRIBUTION OF BOND PROCEEDS.”

WATER SUPPLY AND WASTEWATER SERVICES CONTRACT WITH THE CITY

The District has entered into a Water Supply and Wastewater Services Contract (the “Utility Contract”) with the City, dated as of March 10, 2020. Pursuant to the Utility Contract, the District has agreed to construct, at its sole expense, the water distribution facilities and sanitary sewer collection, and conveyance facilities to serve the District and upon completion, convey such water and wastewater facilities to the City for ownership, operation and maintenance at the City’s expense. The City bills and collects for services from the District’s customers and all revenues are the property of the City. The City has agreed to provide the District with its ultimate requirements for water supply and wastewater treatment capacity for the lesser of either 660 equivalent single-family connections or the number required to serve the projected demand at build-out as actually platted. The District has agreed to pay Capacity Acquisition Fees in the amount of \$1,683 per equivalent single-family connection for wastewater services and \$537 per equivalent single-family connection for water supply service which may be amended by the City from time to time and at any time, subject to certain limitations imposed by state law. Payment of such Capacity Acquisition Fees are due to the City within ten days after funding of a District bond issue in which the underground water and wastewater lines to serve that section of development were financed. The Utility Contract authorizes the City to recoup the Capital Acquisition Fees from customers of the District who have connected to the City’s water and wastewater systems if, among other things, the District does not issue bonds in an amount sufficient to pay the Capital Acquisition Fees due to the City within three (3) years of the date of Preliminary Plan Approval for the applicable phase of development. The Utility Contract also provides for the construction of a detention pond within the City’s Freedom Park (the “Freedom Park Pond”), at the District’s cost, on City’s property. The District pays the City for detention capacity in Freedom Park Pond. The District has completed construction of Freedom Park Pond and the City has accepted it for maintenance, at its own expense.

THE SYSTEM

Regulation

According to the District’s Engineer, Pape-Dawson Engineers, Inc., the water distribution, sanitary sewer collection and drainage facilities serving the District (the “System”) have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City and Brazoria County. According to the District’s Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the TCEQ. Construction and operation of the System as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. Construction of water, sanitary sewer and storm drainage facilities is subject to the regulatory authority of the District, the City and Brazoria County. The TCEQ also exercises regulatory jurisdiction over portions of the System.

Water Supply and Wastewater Treatment

Water supply and wastewater treatment for the District is provided by the City pursuant to the Utility Contract. See “WATER SUPPLY AND WASTEWATER SERVICES CONTRACT WITH THE CITY.” The Developer, on behalf of the District, has constructed a water distribution and wastewater collection system to service the District and conveyed such system to the City upon completion, subject to the District’s capacity rights, pursuant to the Utility Contract. The City has allocated water supply and wastewater capacity in an amount adequate to serve existing and proposed development in the District based on current land plan projections. The System is owned, maintained and operated by the City.

Water supply and wastewater treatment for the District is provided by the City, and all revenues from the collection of charges for water and sewer services from residents of the District are paid directly to the City. See “General Operating Fund” herein.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

The District has constructed water distribution, wastewater collection, two (2) detention ponds, a detention channel, and storm drainage facilities to serve 472 single-family residential lots. In addition, facilities for 140 single-family residential lots are currently under construction on approximately 28 acres with completion expected in the fourth quarter of 2025. The water and wastewater collection systems have been accepted by the City except for the City’s Freedom Park Pond. All other detention and storm drainage facilities that are owned and maintained by the District. See “THE DISTRICT—Land Use,” “—Status of Development,” and “—Future Development.”

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded. According to the Engineer, no developable land in the District is within the effective 100-year flood plain. See “RISK FACTORS—Extreme Weather Events.”

Atlas 14

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 upon the Atlas 14 study, which is based upon 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. See “RISK FACTORS—Atlas 14.”

General Operating Fund

The water and sanitary sewer components of the System are owned and operated by the City. No water and sewer revenue is received by the District nor is the District responsible for operation, repair or maintenance of the System (with the exception of drainage facilities and stormwater detention ponds).

The following statement sets forth in condensed form the General Operating Fund as shown in the District’s audited financial statements for the fiscal years ended September 30, 2021 through 2024 and an unaudited summary, provided by the Bookkeeper, for the fiscal year ended September 30, 2025. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to “APPENDIX A” for further and complete information.

	Fiscal Year Ended September 30				
	2025	2024	2023	2022	2021
	(Unaudited)				
Revenues					
Property Taxes	\$ 422,887	\$ 347,340	\$ 115,098	\$ 15,020	\$ -
Penalty and Interest	-	5,027	-	-	-
Investment and Miscellaneous Revenues	11,602	2,265	265	-	72
Total Revenues	\$ 434,488	\$ 354,632	\$ 115,363	\$ 15,020	\$ 72
Expenditures					
Professional Fees	\$ 136,234	\$ 107,823	\$ 144,776	\$ 145,165	\$ 139,041
Contracted Services	24,050	37,421	19,849	20,068	10,400
Repairs and Maintenance	107,776	112,371	24,542	7,852	-
Detention Capacity	-	-	-	-	70,000
Other	28,312	23,205	20,295	14,390	55,932
Total Expenditures	\$ 296,372	\$ 280,820	\$ 209,462	\$ 187,475	\$ 275,373
Revenues Over (Under) Expenditures	\$ 138,117	\$ 73,812	\$ (94,099)	\$ (172,455)	\$ (275,301)
Other Sources (Developer Advance)	\$ -	\$ 80,000	\$ 80,000	\$ 160,000	\$ 309,940
Interfund Transfers	\$ -	\$ 18,510	\$ -	\$ -	\$ -
Fund Balance (Beginning of Year)	\$ 176,359	\$ 4,037	\$ 18,136	\$ 30,591	\$ (4,048)
Fund Balance (End of Year)	\$ 314,476	\$ 176,359	\$ 4,037	\$ 18,136	\$ 30,591

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2025 Taxable Assessed Valuation	\$73,766,191	(a)
Estimated Taxable Assessed Valuation as of August 1, 2025	\$89,196,945	(b)
Gross Direct Debt Outstanding (the Outstanding Bonds and the Bonds)	\$12,690,000	(c)
Estimated Overlapping Debt	<u>2,813,736</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt	\$15,503,736	
Ratios of Gross Direct Debt to:		
2025 Taxable Assessed Valuation	17.20%	
Estimated Taxable Assessed Valuation as of August 1, 2025	14.23%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2025 Taxable Assessed Valuation	21.02%	
Estimated Taxable Assessed Valuation as of August 1, 2025	17.38%	
Funds Available for Debt Service:		
Water, Sewer & Drainage Debt Service Fund Balance as of September 8, 2025	\$ 99,576	(e)
Road Debt Service Fund Balance as of September 8, 2025	102,167	(e)
Capitalized Interest from proceeds of the Bonds (Twelve (12) months)	<u>191,219</u>	(e)(f)
Total Funds Available for Debt Service	\$392,962	
Funds Available for Maintenance and Operations as of September 8, 2025	\$299,084	
Funds Available for Water, Sewer & Drainage Capital Projects Fund	\$ 57,631	
Funds Available for Road Capital Projects Fund	\$ 51,128	(g)

- (a) The Appraisal District has certified \$73,496,686 of taxable value as of January 1, 2025. An additional \$269,505 (owners' opinion) of taxable value remains uncertified and subject to downward revision prior to certification. The 2025 Taxable Assessed Valuation shown throughout the OFFICIAL STATEMENT represents the certified value plus the uncertified value. See "TAXING PROCEDURES."
- (b) As provided by the Appraisal District. Such amount is only an estimate of the taxable assessed value on August 1, 2025, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2025 and August 1, 2025 will be certified as of January 1, 2026. See "TAXING PROCEDURES."
- (c) After issuance of the Bonds. Includes the Outstanding Bonds and the Bonds. See "—Outstanding Bonds" herein.
- (d) See "—Estimated Overlapping Debt," and "—Overlapping Taxes" herein.
- (e) Although all the District's debt, including the Outstanding Bonds and the Bonds, has been issued on a parity basis and is payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on bonds issued for the purpose of financing water, sanitary sewer, drainage and recreational facilities or to refund such bonds ("WSD&R Bonds"), and bonds issued for the purpose of acquiring or constructing road facilities or to refund such bonds ("Road Bonds"), including the Bonds, and deposited into separate sub-accounts within the District's Debt Service Fund. See "THE BONDS—Funds" and "Debt Service Requirements" herein.
- (f) The District will capitalize twelve (12) months of interest from Bond proceeds. See "THE BONDS—Funds" and "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (g) The District will contribute all available surplus Road Capital Projects Funds toward the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and 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 owning long term securities or derivative products in the District's investment portfolio.

Outstanding Bonds

The District has previously issued two series of unlimited tax bonds for acquiring or constructing water, sanitary sewer, and drainage facilities and two series of unlimited tax road bonds for acquiring or constructing road facilities. The following table lists the original principal amount of such bonds by series and the principal amount of such bonds that are outstanding (the "Outstanding Bonds") as of the date hereof.

Series	Original Principal Amount	Outstanding Bonds
2023	\$ 3,000,000	\$ 2,935,000
2023 (a)	2,200,000	2,155,000
2024	1,820,000	1,820,000
2024 (a)	<u>1,780,000</u>	<u>1,780,000</u>
Total	\$ 8,800,000	\$ 8,690,000

- (a) Unlimited Tax Road Bonds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds and the Bonds. This schedule does not reflect that the District capitalized fifteen (15) months of interest on the Series 2024 Bonds in October 2024, and will capitalize twelve (12) months of interest from proceeds of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements	Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2026	\$ 617,602.50	\$ -	\$ 150,319.18	\$ 150,319.18	\$ 767,921.68
2027	629,287.50	-	191,218.75	191,218.75	820,506.25
2028	624,977.50	95,000	191,218.75	286,218.75	911,196.25
2029	625,277.50	100,000	185,043.75	285,043.75	910,321.25
2030	635,037.50	105,000	178,543.75	283,543.75	918,581.25
2031	623,787.50	110,000	171,718.75	281,718.75	905,506.25
2032	632,537.50	115,000	164,568.75	279,568.75	912,106.25
2033	630,306.25	120,000	157,093.75	277,093.75	907,400.00
2034	637,426.25	125,000	149,293.75	274,293.75	911,720.00
2035	643,538.75	135,000	141,168.75	276,168.75	919,707.50
2036	638,383.75	140,000	135,768.75	275,768.75	914,152.50
2037	642,658.75	150,000	130,168.75	280,168.75	922,827.50
2038	640,990.00	155,000	124,168.75	279,168.75	920,158.75
2039	648,137.50	165,000	117,968.75	282,968.75	931,106.25
2040	648,980.00	175,000	111,162.50	286,162.50	935,142.50
2041	653,855.00	180,000	103,943.75	283,943.75	937,798.75
2042	652,180.00	190,000	96,068.75	286,068.75	938,248.75
2043	654,410.00	200,000	87,756.25	287,756.25	942,166.25
2044	655,307.50	210,000	79,006.25	289,006.25	944,313.75
2045	659,745.00	225,000	69,556.25	294,556.25	954,301.25
2046	657,350.00	235,000	59,431.25	294,431.25	951,781.25
2047	658,665.00	245,000	48,856.25	293,856.25	952,521.25
2048	658,185.00	260,000	37,831.25	297,831.25	956,016.25
2049	261,125.00	275,000	26,131.25	301,131.25	562,256.25
2050	-	290,000	13,412.50	303,412.50	303,412.50
Total	\$ 15,029,751.25	\$ 4,000,000	\$ 2,921,419.18	\$ 6,921,419.18	\$ 21,951,170.43

Average Annual Debt Service Requirements (2026-2050) \$878,047
Maximum Annual Debt Service Requirement (2048) \$956,016

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Brazoria County.....	\$ 226,118,313	8/31/2025	0.09%	\$ 203,506
Angleton Independent School District.....	313,010,000	8/31/2025	0.76%	2,378,876
Port Freeport.....	121,765,000	8/31/2025	0.19%	231,354
Total Estimated Overlapping Debt.....				\$ 2,813,736
The District.....	12,690,000 (a)		100.00%	12,690,000
Total Direct and Estimated Overlapping Debt.....				\$ 15,503,736
Direct and Estimated Overlapping Debt as a Percentage of:				
2025 Taxable Assessed Valuation.....				21.02%
Estimated Taxable Assessed Valuation as of August 1, 2025.....				17.38%

(a) Including the Outstanding Bonds and the Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such 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 tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2025 tax year by all overlapping taxing jurisdictions and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Brazoria County.....	\$ 0.262548
Brazoria County Road and Bridge.....	0.042210
Brazoria County Emergency District No. 3 (a).....	0.077459
Angleton Drainage District (a).....	0.052816
Angleton-Danbury Hospital District (a).....	0.083997
Angleton Independent School District.....	1.021900
Port Freeport.....	-
Total Overlapping Tax Rate.....	\$ 1.540930
The District (b).....	1.450000
Total Tax Rate.....	\$ 2.990930

(a) Represents the 2024 tax rate.

(b) See "RISK FACTORS—Overlapping Debt and Taxes" and "TAX DATA—Tax Rate Distribution."

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. In 2025, the Board levied a debt service tax of \$0.87 per \$100 taxable assessed valuation. See “Tax Rate Distribution” and “Tax Roll Information” below, and “TAXING PROCEDURES.”

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was held on May 1, 2021, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 taxable assessed valuation for operations and maintenance costs. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds and the Bonds. In 2025, the Board levied a tax of \$0.58 per \$100 taxable assessed valuation for operation and maintenance purposes. See “Debt Service Tax” above.

Tax Exemptions

For the tax year 2025, the District has not adopted any tax exemptions for property located within the District. See “TAXING PROCEDURES—Property Subject to Taxation by the District.”

Tax Rate Distribution

	2025	2024	2023	2022	2021
Debt Service	\$ 0.870	\$ 0.565	\$ -	\$ -	\$ -
Maintenance and Operations	0.580	0.885	1.450	1.450	1.450
Total	\$ 1.450	\$ 1.450	\$ 1.450	\$ 1.450	\$ 1.450

Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax experience of the District. Such table has been prepared for inclusion herein based upon information obtained from a report prepared by the Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

Tax Year	Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy	Total Collections as of August 31, 2025 (b)	
				Amount	Percent
2021	\$ 1,035,870	\$ 1.45	\$ 15,020	\$ 15,020	100.00%
2022	7,937,818	1.45	115,098	115,098	100.00%
2023	24,708,664	1.45	358,276	350,354	97.79%
2024	47,445,342	1.45	687,957	675,388	98.17%
2025	73,766,191	1.45	1,069,610	(c)	(c)

(a) As certified by the Appraisal District. See “Tax Roll Information” herein.

(b) Unaudited.

(c) In process of collections. Taxes for 2025 are due by January 31, 2026.

Tax Roll Information

The District's taxable assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation." The following represents the composition of property comprising the 2021 through 2025 Taxable Assessed Valuations and the Estimated Taxable Assessed Valuation as of August 1, 2025. A breakdown of the uncertified portion (\$269,505) of the 2025 Taxable Assessed Valuation is subject to review and downward adjustment and not included herein.

Tax Year	Type of Property			Gross	Deferments	Uncertified	Taxable Assessed
	Land	Improvements	Personal Property	Assessed Valuation	and Exemptions	Value	Valuation
2021	\$ 1,035,870	\$ -	\$ -	\$ 1,035,870	\$ -	\$ -	\$ 1,035,870
2022	7,840,630	93,758	3,520	7,937,908	(90)	-	7,937,818
2023	8,276,470	16,381,474	106,470	24,764,414	(55,750)	-	24,708,664
2024	22,176,950	26,632,543	191,620	49,001,113	(1,555,771)	-	47,445,342
2025	21,273,330	55,665,691	630,670	77,569,691	(4,073,005)	269,505	73,766,191
Estimate of Taxable Assessed Value as of 8/1/2025 (a)	25,092,387	67,915,760	630,670	93,638,817	(4,441,872)	-	89,196,945

(a) As provided by the Appraisal District. Such amount is only an estimate of the taxable assessed value on August 1, 2025, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2025 and August 1, 2025 will be certified as of January 1, 2026. See "TAXING PROCEDURES."

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property's taxable assessed value as a percentage of the certified portion (\$73,496,686) of the 2025 Taxable Assessed Valuation of \$73,766,191. This represents ownership as of January 1, 2025. Accurate principal taxpayer lists related to the uncertified portion (\$269,505) of the 2025 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of August 1, 2025, of \$89,196,945 are not available.

Taxpayer	2025 Certified Taxable Assessed Valuation	% of 2025 Certified Taxable Assessed Valuation
Castlerock Communities LLC (a)	\$ 5,059,380	6.88%
Emptor Angleton LLC (b)	1,712,548	2.33%
Individual	641,260	0.87%
Individual	485,710	0.66%
Universal Natural Gas	468,700	0.64%
Individual	437,650	0.60%
Individual	429,510	0.58%
Individual	418,690	0.57%
Individual	407,570	0.55%
Individual	404,660	0.55%
Total	\$ 10,465,678	14.24%

(a) See "THE DISTRICT—Homebuilding."

(b) See "THE DEVELOPER."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District's tax base occurred beyond the 2025 Taxable Assessed Valuation of \$73,766,191 (\$73,496,686 of certified value plus \$269,505 of uncertified value) and Estimated Taxable Assessed Valuation as of August 1, 2025 of \$89,196,945. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in the taxable value in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "RISK FACTORS—Possible Impact on District Tax Rates," and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

Average Annual Debt Service Requirement (2026-2050)	\$878,047
\$1.26 Tax Rate on the 2025 Taxable Assessed Valuation	\$882,981
\$1.04 Tax Rate on Estimated Taxable Assessed Valuation as of August 1, 2025	\$881,266
Maximum Annual Debt Service Requirement (2048).....	\$956,016
\$1.37 Tax Rate on the 2025 Taxable Assessed Valuation	\$960,067
\$1.13 Tax Rate on Estimated Taxable Assessed Valuation as of August 1, 2025	\$957,529

No representation or suggestion is made that the uncertified portion of the 2025 Taxable Assessed Valuation will not be adjusted downward prior to certification or that the estimated values of land and improvements provided by the Appraisal District as of August 1, 2025, for the District, will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Brazoria County Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units wholly within Brazoria County, including the District. Such appraisal values are subject to review and change by the Brazoria County Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Brazoria County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately-owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2025 tax year, the District has not granted any such exemptions. The District must grant exemptions to disabled veterans or certain

surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or a first responder (as defined under Texas law), who was (i) killed in action, or (ii) fatally injured in the line of duty, 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 up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code acquired in or imported into Texas for storage purposes and which 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. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has not exercised its option to tax goods-in-transit personal property, but may choose to do so in the future.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2025 tax year, the District has not granted a general residential homestead exemption.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by 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 Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. 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 comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See “TAXING PROCEDURES—Rollback of Operations and Maintenance Tax Rate.” 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.

Agricultural, Open Space, Timberland, and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land’s capacity to produce agriculture 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 such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District 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 some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District’s Tax Assessor/Collector, as of January 1, 2025, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

The City and Brazoria County may designate all or part of the District as a reinvestment zone, and the District, Brazoria County, and if it were to annex the area the City may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District’s Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District’s contract with its delinquent tax collection attorney, but not to exceed twenty percent

(20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified herein as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed 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. See "TAX DATA—Tax Rate Distribution for a description of the District's current total tax rate.

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

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

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

The District: A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors on an annual basis. For tax year 2025, the District has been designated 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 against which the tax is levied. In addition, 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 power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest 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). Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "RISK FACTORS—Tax Collection Limitations and Foreclosure Remedies."

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the 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 and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this OFFICIAL STATEMENT under the captioned sections "THE BONDS," "WATER SUPPLY AND WASTEWATER SERVICES CONTRACT WITH THE CITY," "THE DISTRICT—General" and "—Strategic Partnership Agreement," "MANAGEMENT OF THE DISTRICT—District Consultants—Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS," solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this OFFICIAL STATEMENT, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon such firm'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 of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds," the interest on which would be included as an alternative minimum tax preference item under Section 57 (a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Order relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."**

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrued period or be in excess of one year (the "Original Issue Discount Bonds"). The difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

The initial public offering price to be paid for certain maturities of the Bonds is greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter to take and pay for the Bonds, and 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 the sale.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made.

The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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: <https://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. 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 presale 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 of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Developer, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District to such effect. Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this OFFICIAL STATEMENT are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this OFFICIAL STATEMENT, the District has relied upon the following consultants:

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" and "TAXING PROCEDURES" has been provided by Utility Tax Service, LLC and is included herein in reliance upon the authority of said firm as experts in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," and "THE SYSTEM" has been provided by Pape-Dawson Engineers, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The financial statements of the District as of September 30, 2024, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's September 30, 2024, financial statements.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "THE SYSTEM—General Operating Fund" has been provided by Myrtle Cruz, Inc. and is included herein in reliance upon the authority of such firm as experts in tracking and managing the various funds of utility districts.

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the registered 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"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this OFFICIAL STATEMENT under the headings "THE SYSTEM—General Operating Fund," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements," "TAX DATA" and "APPENDIX A—Independent Auditor's Report and Financial Statements of the District for the Year Ended September 30, 2024." The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2025.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the District by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 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.

Specified 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 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 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 CFR § 240.15c2-12 (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 to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified 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 and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding bonds consent or any person unaffiliated with the District (such as a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such Rule or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. 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 reason 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

Since the District's first issuance of bonds in 2023, the District has complied in all material respects with its prior continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

/s/ Thomas H. Smith
President, Board of Directors

ATTEST:

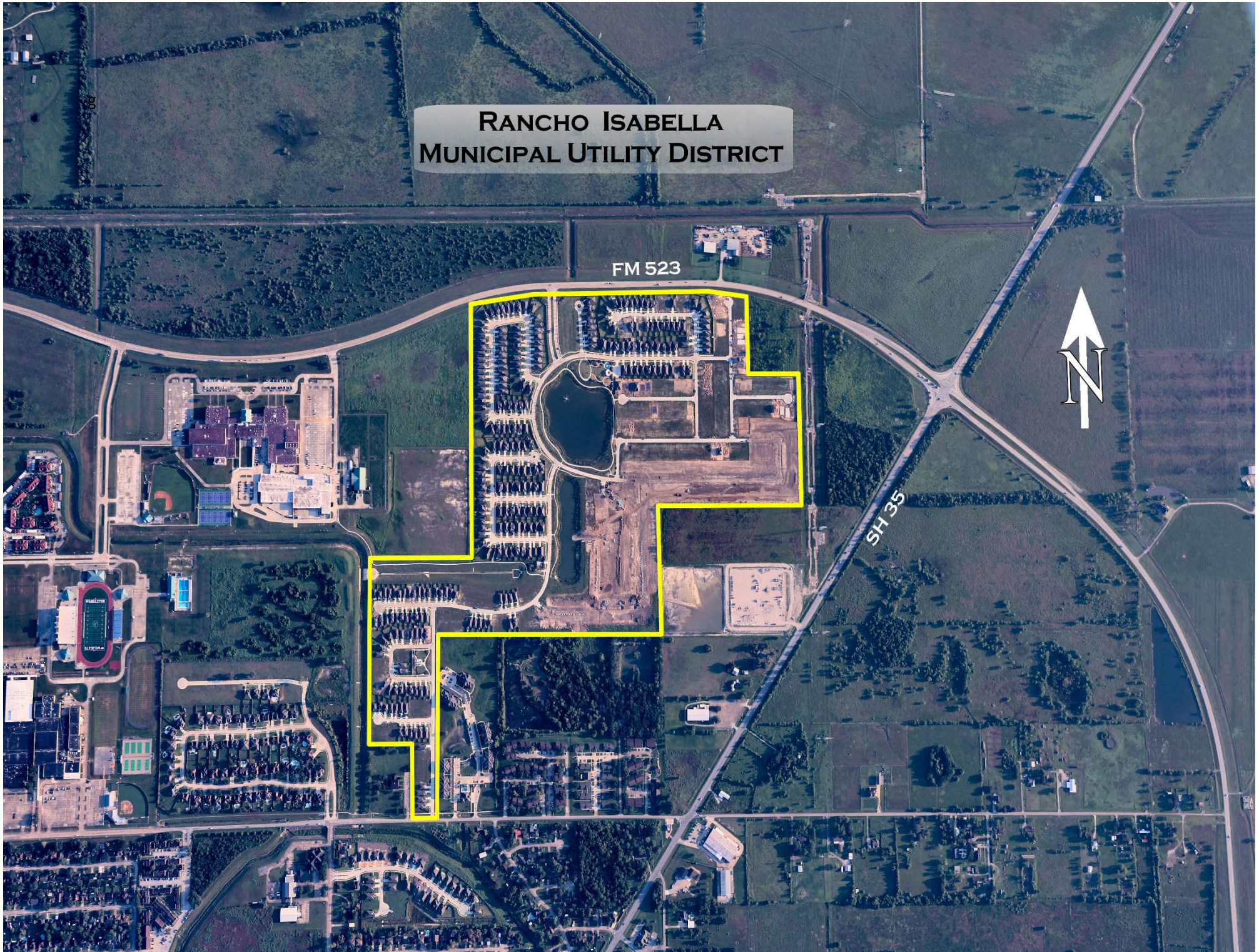
/s/ DeAndrea Ware
Secretary, Board of Directors

AERIAL LOCATION MAP
(Approximate boundaries as of September 2025)

**RANCHO ISABELLA
MUNICIPAL UTILITY DISTRICT**

FM 523

SH 35



PHOTOGRAPHS OF THE DISTRICT
(Taken September 2025)













APPENDIX A

Independent Auditor's Report and Financial Statements of the District for the Year Ended September 30, 2024

The information contained in this appendix includes the audited financial statements of Rancho Isabella Municipal Utility District and certain supplemental information for the fiscal year ended September 30, 2024.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
BRAZORIA COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2024

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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McCALL GIBSON SWEDLUND BARFOOT PLLC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rancho Isabella Municipal Utility District
Brazoria County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Rancho Isabella Municipal Utility District (the "District") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2024, and the respective changes in financial position 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 the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Rancho Isabella Municipal Utility District

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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is 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 supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The script is cursive and fluid.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

December 9, 2024

**RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Management's discussion and analysis of the financial performance of Rancho Isabella Municipal Utility District (the "District") provides an overview of the District's financial activities for the year ended September 30, 2024. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for developer advances, property tax revenues, professional fees and administrative costs. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the current period. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$6,571,450 as of September 30, 2024. A portion of the District's net position reflects its net investment in capital assets, which consist of detention facilities, drainage facilities and landscaping improvements, as well as utility infrastructure conveyed to the City of Angleton, net of the related liabilities to the Developer.

**RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table presents a comparative analysis of government-wide changes in net position:

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 743,988	\$ 20,985	\$ 723,003
Capital Assets (Net of Accumulated Depreciation)	17,427,361	12,004,016	5,423,345
Total Assets	\$ 18,171,349	\$ 12,025,001	\$ 6,146,348
Due to Developer	\$ 19,301,277	\$ 15,417,261	\$ (3,884,016)
Long-Term Liabilities	5,178,339		(5,178,339)
Other Liabilities	263,183	16,948	(246,235)
Total Liabilities	\$ 24,742,799	\$ 15,434,209	\$ (9,308,590)
Net Position:			
Net Investment in Capital Assets	\$ (6,618,412)	\$ (2,933,305)	\$ (3,685,107)
Restricted	278,235		278,235
Unrestricted	(231,273)	(475,903)	244,630
Total Net Position	\$ (6,571,450)	\$ (3,409,208)	\$ (3,162,242)

The following table provides a summary of the District's operations for the years ending September 30, 2024, and September 30, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 358,948	\$ 115,098	\$ 243,850
Other Revenues	16,931	265	16,666
Total Revenues	\$ 375,879	\$ 115,363	\$ 260,516
Total Expenses	3,538,121	1,116,812	(2,421,309)
Change in Net Position	\$ (3,162,242)	\$ (1,001,449)	\$ (2,160,793)
Net Position, Beginning of Year	(3,409,208)	(2,407,759)	(1,001,449)
Net Position, End of Year	\$ (6,571,450)	\$ (3,409,208)	\$ (3,162,242)

**RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2024, were \$490,514, an increase of \$486,477 from the prior year.

The General Fund fund balance increased by \$172,322, primarily due to property tax revenues, developer advances, and a transfer in from the Capital Projects Fund exceeding operating and administrative costs.

The Debt Service Fund fund balance increased by \$301,659, primarily due to the structure of the District's debt service requirements and the receipt of capitalized interest from the Series 2023 Utility bonds and Series 2023 Road bonds.

The Capital Projects Fund fund balance increased by \$12,496. During the current fiscal year, the District closed on the sale of its Series 2023 Utility bonds and Series 2023 Road bonds and used the proceeds to reimburse developers for various projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a budget for the current fiscal year. The budget was amended during the current year to adjust anticipated amounts for repairs, maintenance and other costs. Actual revenues were \$13,632 more than budgeted revenues, actual expenditures were \$16,373 more than budgeted expenditures, actual developer advances were \$80,000 more than budgeted developer advances, and actual transfers in were \$18,510 more than budgeted transfers in. The result was a positive budget variance of \$95,769. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of September 30, 2024, total \$17,427,361 and include detention facilities, drainage facilities, landscaping improvements, and utility infrastructure.

Capital Assets At Year-End			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 981,514	\$	\$ 981,514
Capital Assets Subject to Depreciation:			
Landscaping Improvements	2,639,710	2,639,710	
Detention and Drainage Facilities	9,962,151	5,459,113	4,503,038
Utility Infrastructure	4,944,957	4,457,388	487,569
Less Accumulated Depreciation	(1,100,971)	(552,195)	(548,776)
Total Net Capital Assets	<u>\$ 17,427,361</u>	<u>\$ 12,004,016</u>	<u>\$ 5,423,345</u>

**RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

LONG-TERM DEBT ACTIVITY

The District's bonds payable at year end totaled \$5,200,000. The changes in bonds payable during the current fiscal year is summarized in the following table:

Bond Debt Payable, October 1, 2023	\$ - 0 -
Add: Bond Sales	5,200,000
Less: Bond Principal Paid	<u>- 0 -</u>
Bond Debt Payable, September 30, 2024	<u>\$ 5,200,000</u>

The Series 2023 Utility Bonds and Series 2023 Road Bonds do not carry insured nor underlying ratings.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Rancho Isabella Municipal Utility District, c/o Schwartz, Page & Harding, L.L. P., 1300 Post Oak Blvd, Suite 2400, Houston, Texas 77056-3012.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 186,130	\$ 301,659
Receivables:		
Property Taxes	11,608	
Penalty and Interest on Delinquent Taxes		
Prepaid Costs	2,396	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 200,134</u>	<u>\$ 301,659</u>
LIABILITIES		
Accounts Payable	\$ 12,167	\$
Accrued Interest Payable		
Due to Developer		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 12,167</u>	<u>\$ -0-</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 11,608	\$ -0-
FUND BALANCES		
Nonspendable: Prepaid Costs	\$ 2,396	\$
Restricted for Authorized Construction		
Restricted for Debt Service		301,659
Unassigned	173,963	
TOTAL FUND BALANCES	<u>\$ 176,359</u>	<u>\$ 301,659</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 200,134</u>	<u>\$ 301,659</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to the financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 8,896	\$ 496,685	\$	\$ 496,685
	11,608		11,608
		2,107	2,107
231,192	233,588		233,588
		981,514	981,514
		16,445,847	16,445,847
<u>\$ 240,088</u>	<u>\$ 741,881</u>	<u>\$ 17,429,468</u>	<u>\$ 18,171,349</u>
\$ 227,592	\$ 239,759	\$	\$ 239,759
		23,424	23,424
		19,301,277	19,301,277
		110,000	110,000
		5,068,339	5,068,339
<u>\$ 227,592</u>	<u>\$ 239,759</u>	<u>\$ 24,503,040</u>	<u>\$ 24,742,799</u>
\$ -0-	\$ 11,608	\$ (11,608)	\$ -0-
\$ 231,192	\$ 233,588	\$ (233,588)	\$
(218,696)	(218,696)	218,696	
	301,659	(301,659)	
	173,963	(173,963)	
<u>\$ 12,496</u>	<u>\$ 490,514</u>	<u>\$ (490,514)</u>	<u>\$ -0-</u>
<u>\$ 240,088</u>	<u>\$ 741,881</u>		
		\$ (6,618,412)	\$ (6,618,412)
		278,235	278,235
		(231,273)	(231,273)
		<u>\$ (6,571,450)</u>	<u>\$ (6,571,450)</u>

The accompanying notes to the financial statements are an integral part of this report.

**RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024**

Total Fund Balances - Governmental Funds	\$	490,514
--	----	---------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Land and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		17,427,361
---	--	------------

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 tax levy became part of recognized revenues in the governmental activities of the District.		13,715
---	--	--------

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (19,301,277)	
Accrued Interest Payable	(23,424)	
Bonds Payable	<u>(5,178,339)</u>	<u>(24,503,040)</u>

Total Net Position - Governmental Activities	\$	<u>(6,571,450)</u>
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The accompanying notes to the financial
statements are an integral part of this report.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 347,340	\$
Penalty and Interest	5,027	
Investment and Miscellaneous Revenues	<u>2,265</u>	<u>7,317</u>
TOTAL REVENUES	<u>\$ 354,632</u>	<u>\$ 7,317</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 107,823	\$
Contracted Services	37,421	
Repairs and Maintenance	112,371	
Depreciation		
Other	23,205	165
Capital Outlay		
Developer Interest		
Conveyance of Assets		
Debt Service:		
Bond Interest		213,346
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	<u>\$ 280,820</u>	<u>\$ 213,511</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 73,812</u>	<u>\$ (206,194)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	\$ 18,510	\$
Proceeds from Issuance of Long-Term Debt		507,853
Bond Discount		
Developer Advances	<u>80,000</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 98,510</u>	<u>\$ 507,853</u>
NET CHANGE IN FUND BALANCES	\$ 172,322	\$ 301,659
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2023	<u>4,037</u>	
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2024	<u>\$ 176,359</u>	<u>\$ 301,659</u>

The accompanying notes to the financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 347,340	\$ 11,608	\$ 358,948
	5,027	2,107	7,134
215	9,797		9,797
<u>\$ 215</u>	<u>\$ 362,164</u>	<u>\$ 13,715</u>	<u>\$ 375,879</u>
\$ 99,034	\$ 206,857	\$	\$ 206,857
	37,421		37,421
	112,371		112,371
		548,776	548,776
305	23,675		23,675
3,612,502	3,612,502	(3,612,502)	
452,543	452,543		452,543
		1,444,397	1,444,397
	213,346	24,180	237,526
474,555	474,555		474,555
<u>\$ 4,638,939</u>	<u>\$ 5,133,270</u>	<u>\$ (1,595,149)</u>	<u>\$ 3,538,121</u>
<u>\$ (4,638,724)</u>	<u>\$ (4,771,106)</u>	<u>\$ 1,608,864</u>	<u>\$ (3,162,242)</u>
\$ (18,510)	\$	\$	\$
4,692,147	5,200,000	(5,200,000)	
(22,417)	(22,417)	22,417	
	80,000	(80,000)	
<u>\$ 4,651,220</u>	<u>\$ 5,257,583</u>	<u>\$ (5,257,583)</u>	<u>\$ -0-</u>
\$ 12,496	\$ 486,477	\$ (486,477)	\$
		(3,162,242)	(3,162,242)
	4,037	(3,413,245)	(3,409,208)
<u>\$ 12,496</u>	<u>\$ 490,514</u>	<u>\$ (7,061,964)</u>	<u>\$ (6,571,450)</u>

The accompanying notes to the financial statements are an integral part of this report.

**RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Net Change in Fund Balances- Governmental Funds	\$ 486,477
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	11,608
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	2,107
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated over the estimated useful lives and the expense is recorded in the Statement of Activities.	(548,776)
Governmental funds report capital outlay as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	3,612,502
Assets conveyed to other governmental entities are recorded as expenses in the Statement of Activities.	(1,444,397)
Governmental funds report bond proceeds, bond discounts, and bond premiums as other financing sources and uses in the year bonds are sold. In governmental activities, bonds payable, net of related bond discounts and bond premiums, are recorded as long-term liabilities.	(5,177,583)
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(24,180)
Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances are recorded as a liability.	(80,000)
Change in Net Position - Governmental Activities	<u>\$ (3,162,242)</u>

The accompanying notes to the financial
statements are an integral part of this report.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1. CREATION OF DISTRICT

Rancho Isabella Municipal Utility District (the “District”) was created by an order of the Texas Commission on Environmental Quality (the “Commission”) on March 18, 1981. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its organizational meeting on August 24, 2020. The first bonds were sold on November 16, 2023.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the “Commission”).

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local 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 statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined on the following page.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position. The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds are eliminated by adjustment to obtain net total revenues and expense of the government-wide Statement of Activities.

Fund Financial Statements

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has three governmental funds and considers each to be a major fund. The General Fund accounts for developer advances, property tax revenues, professional fees and administrative costs. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the governmental funds to be available if they are collectable within sixty days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include the taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. During the current fiscal year, the Capital Projects Fund recorded a transfer in the amount of \$18,510 to the General Fund for bond issuance costs paid in the prior year.

Budgeting

An annual General Fund budget is adopted by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, including utilities, detention facilities, drainage facilities, and landscaping improvements, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Road infrastructure is conveyed to Brazoria County upon completion. Assets are capitalized if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 10 to 45 years.

Certain water and wastewater utilities infrastructure constructed by the District with funds provided by developers are conveyed to the City of Angleton, Texas for ownership and maintenance. These costs, along with capacity payments, meet the criteria to be treated in accordance with Governmental Accounting Standards Board Statement No. 94 and are recorded as capital assets on the books of the District.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Fund balances in governmental funds are classified using the following hierarchy:

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.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. 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 expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 3. LONG-TERM DEBT

	Utility Series 2023	Road Series 2023
Amount Outstanding – September 30, 2024	\$ 3,000,000	\$ 2,200,000
Interest Rates	5.00% - 5.75%	4.40% - 5.60%
Maturity Dates – Beginning/Ending	September 1, 2025/2048	September 1, 2025/2048
Interest Payment Dates	March 1/ September 1/	March 1/ September 1/
Callable Dates	September 1, 2030*	September 1, 2030*

- * Or any date thereafter, at the option of the District, in whole or in part, at par plus accrued interest, to the date of redemption. The Series 2023 Utility term bonds maturing on September 1, 2030, 2032, 2034, 2037, 2040, 2044, and 2048 are subject to mandatory redemption beginning September 1, 2029, 2031, 2033, 2035, 2038, 2041, and 2045, respectively. The Series 2023 Road term bonds maturing on September 1, 2031, 2033, 2035, 2037, 2041, 2044, and 2048 are subject to mandatory redemption beginning September 1, 2030, 2032, 2034, 2036, 2038, 2042, and 2045, respectively.

Bonds payable activity for the current fiscal year are summarized in the following table:

	October 1, 2023	Additions	Retirements	September 30, 2024
Bonds Payable	\$	\$ 5,200,000	\$	\$ 5,200,000
Unamortized Discounts		(22,417)	(756)	(21,661)
Bonds Payable, net	<u>\$ -0-</u>	<u>\$ 5,177,583</u>	<u>\$ (756)</u>	<u>\$ 5,178,339</u>
		Amount Due Within One Year		\$ 110,000
		Amount Due After One Year		<u>5,068,339</u>
		Total Bonds Payable, net		<u>\$ 5,178,339</u>

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 3. LONG-TERM DEBT (Continued)

Debt service requirements on the outstanding bonds at year end are summarized in the following table:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 110,000	\$ 281,092	\$ 391,092
2026	110,000	275,863	385,863
2027	120,000	270,586	390,586
2028	125,000	264,788	389,788
2029	135,000	258,688	393,688
2030-2034	785,000	1,185,346	1,970,346
2035-2039	1,040,000	955,819	1,995,819
2040-2044	1,370,000	637,425	2,007,425
2045-2048	1,405,000	204,954	1,609,954
	<u>\$ 5,200,000</u>	<u>\$ 4,334,561</u>	<u>\$ 9,534,561</u>

The District had authorized but unissued bonds in the amount of \$73,645,000 for the purchase or construction of water, sewer, and drainage facilities, \$16,075,000 for the purchase or construction of recreational facilities, \$26,175,000 for the purchase or construction of road facilities, and \$121,095,000 for refunding purposes.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. The District did not levy a 2023 debt service tax during the current fiscal year. Subsequent to year end, the District levied a 2024 debt service tax which will be reflected in the financial statements for the 2025 fiscal year.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District is required to provide to the state information depository, and to the Purchaser of the bonds, continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for the determination of the rebatable amount is on each 5th year anniversary of each issue.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$496,685 and the bank balance was \$498,794. The District was not exposed to custodial credit risk at year end. The carrying values of the deposits at year end are summarized in the following table:

	<u>Cash</u>
GENERAL FUND	\$ 186,130
DEBT SERVICE FUND	301,659
CAPITAL PROJECTS FUND	<u>8,896</u>
TOTAL DEPOSITS	<u>\$ 496,685</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors. Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest is reviewed annually and which may be more restrictive than the Public Funds Investment Act. As of September 30, 2024, the District did not own any investments.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 6. CAPITAL ASSETS

Capital asset activity for the current fiscal year is summarized in the following table:

	October 1, 2023	Increases	Decreases	September 30, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ -0-	\$ 981,514	\$ -0-	\$ 981,514
Capital Assets Subject to Depreciation				
Landscaping Improvements	\$ 2,639,710	\$	\$	\$ 2,639,710
Detention and Drainage Facilities	5,459,113	4,503,038		9,962,151
Utility Infrastructure	4,457,388	487,569		4,944,957
Total Capital Assets Subject to Depreciation	\$ 12,556,211	\$ 4,990,607	\$ -0-	\$ 17,546,818
Accumulated Depreciation				
Landscaping Improvements	\$ 152,588	\$ 239,781	\$	\$ 392,369
Detention and Drainage Facilities	226,209	234,586		460,795
Utility Infrastructure	173,398	74,409		247,807
Total Accumulated Depreciation	\$ 552,195	\$ 548,776	\$ -0-	\$ 1,100,971
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 12,004,016	\$ 4,441,831	\$ -0-	\$ 16,445,847
Total Capital Assets, Net of Accumulated Depreciation	\$ 12,004,016	\$ 5,423,345	\$ -0-	\$ 17,427,361

NOTE 7. MAINTENANCE TAX

On May 1, 2021, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's facilities as well as any other lawfully authorized purpose. During the year ended September 30, 2024, the District levied an ad valorem maintenance tax rate of \$1.45 per \$100 of assessed valuation, which resulted in a tax levy of \$358,948 on the adjusted taxable valuation of \$24,755,054 for the 2023 tax year.

All property values and exempt status, if any, are determined by the 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.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 8. WATER SUPPLY AND WASTEWATER SERVICES CONTRACT

The District has entered into a Water Supply and Wastewater Services Contract (the “Utility Contract”) with the City of Angleton, Texas (the “City”) dated as of March 10, 2020. Pursuant to the Utility Contract, the District has agreed to construct, at its sole expense, the water distribution facilities and sanitary sewer collection, and conveyance facilities to serve the District and upon completion, convey such water and wastewater facilities to the City for ownership, operation and maintenance at the City’s expense. The City bills and collects for services from the District’s customers and all revenues are the property of the City. The City has agreed to provide the District with its ultimate requirements for water supply and wastewater treatment capacity for the lesser of either 660 equivalent single-family connections or the number required to serve the projected demand at build-out as actually platted. The District has agreed to pay Capacity Acquisition Fees for wastewater service and water supply service; which fees may be amended by the City from time to time and at any time, subject to certain limitations imposed by state law. Payment of such Capacity Acquisition Fees are due to the City within ten days after funding of a District bond issue in which the underground water and wastewater lines to serve that section of development were financed. The Utility Contract authorizes the City to recoup the Capital Acquisition Fees from customers of the District who have connected to the City’s water and wastewater systems if, among other things, the District does not issue bonds in an amount sufficient to pay the Capital Acquisition Fees due to the City within three years of the date of Preliminary Plan Approval for the applicable phase of development. The Utility Contract also provides for the construction of a detention pond within the City’s Freedom Park (the “Freedom Park Pond”), at the District’s cost, on City’s property. The District pays the City for detention capacity in Freedom Park Pond, and upon completion, the District will convey such pond to the City for ownership. The City will operate and maintain Freedom Park Pond at its own expense.

NOTE 9. UNREIMBURSED DEVELOPER COSTS

The District has executed financing agreements with a Developer which calls for the Developer to fund costs associated with the construction of water, sewer, drainage and recreational facilities as well as roads and operating advances during the startup period. Reimbursement to the Developer will come from future bond sales. The following table summarizes the current year activity related to unreimbursed Developer costs for completed projects and operating advances:

Due to Developer, beginning of year	\$ 15,417,261
Additions	7,059,658
Reimbursements	<u>(3,175,642)</u>
Due to Developer, end of year	<u>\$ 19,301,277</u>

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 10. 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 natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT

Effective March 10, 2020, the District entered into a Strategic Partnership Agreement with the City. Under the agreement, and in accordance with Subchapter F of Chapter 43 of the Local Governmental Code and Act, the City agrees to annex a tract of land within the District for the limited purposes to allow the City to collect its sales and use taxes in such areas. Prior to annexation of the entire District, the District is authorized to exercise all powers and functions of a municipal utility district as provided by law. The City will not fully annex the District until 75% of the District's water, wastewater, drainage, road and recreational facilities have been constructed, and either (i) all developers have been reimbursed for such facilities by the District to the maximum extent permitted by the rules of the Commission, or (ii) the City assumes any and all obligations of the District for such reimbursements.

NOTE 12. BOND SALES

On November 16, 2023, the District issued \$3,000,000 of Unlimited Tax Bonds, Series 2023. Proceeds from the bonds were used to reimburse the developer for: clearing and grubbing for drainage improvements for Angleton Tract Section One; mass grading and detention improvements for Windrose Green Section One; and Windrose Green Lift Station No. 1. Additional proceeds were to pay for water and wastewater connections/capacity purchases, operating advances, developer interest, creation costs, and bond issuance costs.

On December 14, 2023, the District issued \$2,200,000 of Unlimited Tax Road Bonds, Series 2023. Proceeds from the bonds were used to reimburse the developer for road construction and land acquisition costs. Additional proceeds were to pay for capitalized interest, developer interest, and bond issuance costs.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 13. SUBSEQUENT EVENTS – BOND SALES

On October 10, 2024, subsequent to year-end, the District issued \$1,820,000 of Unlimited Tax Bonds, Series 2024. Proceeds from the bonds were used to reimburse the developer for: land acquisition for detention ponds “A” & “B” and channel “C”. Additional proceeds were to pay for water and wastewater connections/capacity purchases, operating advances, developer interest, capitalized interest, and bond issuance costs.

On October 10, 2024, subsequent to year-end, the District issued \$1,780,000 of Unlimited Tax Road Bonds, Series 2024. Proceeds from the bonds were used to reimburse the developer for road construction and land acquisition costs. Additional proceeds were to pay for capitalized interest, developer interest, and bond issuance costs.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2024

**RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 341,000	\$ 341,000	\$ 347,340	\$ 6,340
Investment and Miscellaneous Revenues			7,292	7,292
TOTAL REVENUES	<u>\$ 341,000</u>	<u>\$ 341,000</u>	<u>\$ 354,632</u>	<u>\$ 13,632</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 131,000	\$ 131,000	\$ 107,823	\$ 23,177
Contracted Services	17,500	17,500	37,421	(19,921)
Repairs and Maintenance	50,000	81,547	112,371	(30,824)
Other	34,400	34,400	23,205	11,195
TOTAL EXPENDITURES	<u>\$ 232,900</u>	<u>\$ 264,447</u>	<u>\$ 280,820</u>	<u>\$ (16,373)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 108,100</u>	<u>\$ 76,553</u>	<u>\$ 73,812</u>	<u>\$ (2,741)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$	\$	\$ 18,510	\$ 18,510
Developer Advances			80,000	80,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 98,510</u>	<u>\$ 98,510</u>
NET CHANGE IN FUND BALANCE	\$ 108,100	\$ 76,553	\$ 172,322	\$ 95,769
FUND BALANCE - OCTOBER 1, 2023	<u>4,037</u>	<u>4,037</u>	<u>4,037</u>	
FUND BALANCE - SEPTEMBER 30, 2024	<u><u>\$ 112,137</u></u>	<u><u>\$ 80,590</u></u>	<u><u>\$ 176,359</u></u>	<u><u>\$ 95,769</u></u>

See accompanying independent auditor's report.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2024

**RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> </u>	Retail Water	<u> </u>	Wholesale Water	<u> X </u>	Drainage
<u> </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> X </u>	Landscaping	<u> </u>	Fire Protection	<u> </u>	Security
<u> </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> X </u>	Other: Water and wastewater services are provided by the City of Angleton, Texas				

2. RETAIL SERVICE PROVIDERS: (NOT APPLICABLE)

3. TOTAL WATER CONSUMPTION: (NOT APPLICABLE)

4. STANDBY FEES: (NOT APPLICABLE)

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No

County in which District is located:

Brazoria County, Texas

Is the District located within a city?

Entirely Partly Not at all X

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

Entirely X Partly Not at all

ETJ in which District is located:

City of Angleton, Texas

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

**RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

PROFESSIONAL FEES:	
Auditing and SB 625 Filing	\$ 12,750
Engineering	14,434
Legal	<u>80,639</u>
TOTAL PROFESSIONAL FEES	<u>\$ 107,823</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 22,900
Tax Assessment and Collection Costs	<u>14,521</u>
TOTAL CONTRACTED SERVICES	<u>\$ 37,421</u>
REPAIRS AND MAINTENANCE	<u>\$ 112,371</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 13,628
Election Costs	2,235
Insurance	2,410
Office Supplies and Postage	1,124
Arbitrage Analysis, Disclosure, and Other	<u>3,808</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 23,205</u>
TOTAL EXPENDITURES	<u><u>\$ 280,820</u></u>

See accompanying independent auditor's report.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Maintenance Taxes</u>	
TAXES RECEIVABLE -		
OCTOBER 1, 2023	\$ -0-	
Adjustments to Beginning		
Balance	<u> </u>	\$ -0-
Original 2023 Tax Levy	\$ 347,340	
Adjustment to 2023 Tax Levy	<u> 11,608</u>	<u> 358,948</u>
TOTAL TO BE		
ACCOUNTED FOR		\$ 358,948
TAX COLLECTIONS:		
Prior Years	\$ -0-	
Current Year	<u> 347,340</u>	<u> 347,340</u>
TAXES RECEIVABLE -		
SEPTEMBER 30, 2024		<u>\$ 11,608</u>
TAXES RECEIVABLE BY		
YEAR:		
2023		<u>\$ 11,608</u>

See accompanying independent auditor's report.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>2023</u>	<u>2022</u>	<u>2021</u>
PROPERTY VALUATIONS:			
Land	\$ 8,276,470	\$ 7,840,630	\$ 1,035,870
Improvements	16,427,864	93,758	
Personal Property	106,470	3,520	
Exemptions	<u>(55,750)</u>	<u>(90)</u>	
TOTAL PROPERTY VALUATIONS	<u>\$ 24,755,054</u>	<u>\$ 7,937,818</u>	<u>\$ 1,035,870</u>
TAX RATES PER \$100 VALUATION:			
Debt Service	\$ 0.00	\$ 0.00	\$ 0.00
Maintenance **	<u>1.45</u>	<u>1.45</u>	<u>1.45</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.45</u>	<u>\$ 1.45</u>	<u>\$ 1.45</u>
ADJUSTED TAX LEVY*	<u>\$ 358,948</u>	<u>\$ 115,098</u>	<u>\$ 15,020</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>96.77 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

*Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

**Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on May 1, 2021.

See accompanying independent auditor's report.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024

S E R I E S - 2 0 2 3 U T I L I T Y			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2025	\$ 65,000	\$ 162,998	\$ 227,998
2026	65,000	159,748	224,748
2027	70,000	156,496	226,496
2028	75,000	152,998	227,998
2029	80,000	149,248	229,248
2030	85,000	145,248	230,248
2031	85,000	140,998	225,998
2032	90,000	136,748	226,748
2033	95,000	132,248	227,248
2034	100,000	127,354	227,354
2035	110,000	122,204	232,204
2036	115,000	116,375	231,375
2037	120,000	110,280	230,280
2038	125,000	103,920	228,920
2039	135,000	97,108	232,108
2040	140,000	89,750	229,750
2041	150,000	82,120	232,120
2042	155,000	73,720	228,720
2043	165,000	65,040	230,040
2044	175,000	55,800	230,800
2045	185,000	46,000	231,000
2046	195,000	35,362	230,362
2047	205,000	24,150	229,150
2048	215,000	12,362	227,362
	<u>\$ 3,000,000</u>	<u>\$ 2,498,275</u>	<u>\$ 5,498,275</u>

See accompanying independent auditor's report.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024

S E R I E S - 2 0 2 3 R O A D			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2025	\$ 45,000	\$ 118,094	\$ 163,094
2026	45,000	116,115	161,115
2027	50,000	114,090	164,090
2028	50,000	111,790	161,790
2029	55,000	109,440	164,440
2030	60,000	106,800	166,800
2031	60,000	103,800	163,800
2032	65,000	100,800	165,800
2033	70,000	97,468	167,468
2034	75,000	93,882	168,882
2035	80,000	89,944	169,944
2036	80,000	85,744	165,744
2037	85,000	81,444	166,444
2038	90,000	76,875	166,875
2039	100,000	71,925	171,925
2040	105,000	66,425	171,425
2041	110,000	60,650	170,650
2042	115,000	54,600	169,600
2043	125,000	48,160	173,160
2044	130,000	41,160	171,160
2045	140,000	33,880	173,880
2046	145,000	26,040	171,040
2047	155,000	17,920	172,920
2048	165,000	9,240	174,240
	<u>\$ 2,200,000</u>	<u>\$ 1,836,286</u>	<u>\$ 4,036,286</u>

See accompanying independent auditor's report.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 110,000	\$ 281,092	\$ 391,092
2026	110,000	275,863	385,863
2027	120,000	270,586	390,586
2028	125,000	264,788	389,788
2029	135,000	258,688	393,688
2030	145,000	252,048	397,048
2031	145,000	244,798	389,798
2032	155,000	237,548	392,548
2033	165,000	229,716	394,716
2034	175,000	221,236	396,236
2035	190,000	212,148	402,148
2036	195,000	202,119	397,119
2037	205,000	191,724	396,724
2038	215,000	180,795	395,795
2039	235,000	169,033	404,033
2040	245,000	156,175	401,175
2041	260,000	142,770	402,770
2042	270,000	128,320	398,320
2043	290,000	113,200	403,200
2044	305,000	96,960	401,960
2045	325,000	79,880	404,880
2046	340,000	61,402	401,402
2047	360,000	42,070	402,070
2048	380,000	21,602	401,602
	<u>\$ 5,200,000</u>	<u>\$ 4,334,561</u>	<u>\$ 9,534,561</u>

See accompanying independent auditor's report.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Description	Original Bonds Issued	Bonds Outstanding October 1, 2023
Rancho Isabella Municipal Utility District Unlimited Tax Bonds - Series 2023	\$ 3,000,000	\$
Rancho Isabella Municipal Utility District Unlimited Tax Road Bonds - Series 2023	<u>2,200,000</u>	<u> </u>
TOTAL	<u>\$ 5,200,000</u>	<u>\$ - 0 -</u>

Bond Authority:	Utility Bonds	Road Bonds	Park Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 76,645,000	\$ 28,375,000	\$ 16,075,000	\$ 121,095,000
Amount Issued	<u>3,000,000</u>	<u>2,200,000</u>	<u> </u>	<u> </u>
Remaining to be Issued	<u>\$ 73,645,000</u>	<u>\$ 26,175,000</u>	<u>\$ 16,075,000</u>	<u>\$ 121,095,000</u>

Debt Service Fund cash balances as of September 30, 2024: \$ 301,659

Average annual debt service payment for remaining term of bond debt: \$ 397,273

See Note 3 for interest rate, interest payment dates and maturity dates.

See accompanying independent auditor's report.

Current Year Transactions				Bonds Outstanding September 30, 2024	Paying Agent
Bonds Sold	Retirements				
	Principal	Interest			
\$ 3,000,000	\$	\$ 129,039	\$ 3,000,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
2,200,000		84,307	2,200,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
\$ 5,200,000	\$ - 0 -	\$ 213,346	\$ 5,200,000		

See accompanying independent auditor's report.

**RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND -FOUR YEARS**

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 347,340	\$ 115,098	\$ 15,020
Penalty and Interest	5,027		
Investment and Miscellaneous Revenues	<u>2,265</u>	<u>265</u>	
TOTAL REVENUES	<u>\$ 354,632</u>	<u>\$ 115,363</u>	<u>\$ 15,020</u>
EXPENDITURES			
Professional Fees	\$ 107,823	\$ 144,776	\$ 145,165
Contracted Services	37,421	19,849	20,068
Repairs and Maintenance	112,371	24,542	7,852
Detention Capacity			
Other	<u>23,205</u>	<u>20,295</u>	<u>14,390</u>
TOTAL EXPENDITURES	<u>\$ 280,820</u>	<u>\$ 209,462</u>	<u>\$ 187,475</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 73,812</u>	<u>\$ (94,099)</u>	<u>\$ (172,455)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ 18,510	\$	\$
Developer Advances	<u>80,000</u>	<u>80,000</u>	<u>160,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 98,510</u>	<u>\$ 80,000</u>	<u>\$ 160,000</u>
NET CHANGE IN FUND BALANCE	\$ 172,322	\$ (14,099)	\$ (12,455)
BEGINNING FUND BALANCE (DEFICIT)	<u>4,037</u>	<u>18,136</u>	<u>30,591</u>
ENDING FUND BALANCE	<u>\$ 176,359</u>	<u>\$ 4,037</u>	<u>\$ 18,136</u>

See accompanying independent auditor's report.

	Percentage of Total Revenues				
<u>2021</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	
\$	98.0 %	99.8 %	100.0 %		%
	1.4				
<u>72</u>	<u>0.6</u>	<u>0.2</u>		<u>100.0</u>	
\$ <u>72</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0</u>	%
\$ 139,041	30.4 %	125.5 %	966.5 %	193,112.5 %	
10,400	10.6	17.2	133.6	14,444.4	
	31.7	21.3	52.3		
70,000				97,222.2	
<u>55,932</u>	<u>6.5</u>	<u>17.6</u>	<u>95.8</u>	<u>77,683.3</u>	
\$ <u>275,373</u>	<u>79.2 %</u>	<u>181.6 %</u>	<u>1,248.2 %</u>	<u>382,462.4</u>	%
\$ <u>(275,301)</u>	<u>20.8 %</u>	<u>(81.6) %</u>	<u>(1,148.2) %</u>	<u>(382,362.4) %</u>	
\$					
<u>309,940</u>					
\$ <u>309,940</u>					
\$ 34,639					
<u>(4,048)</u>					
\$ <u>30,591</u>					

See accompanying independent auditor's report.

**RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND -FOUR YEARS**

	Amounts		
	2024	2023	2022
REVENUES			
Investment and Miscellaneous Revenues	\$ 7,317	\$ -0-	\$ -0-
EXPENDITURES			
Tax Collection Expenditures	\$ 165	\$	\$
Debt Service Interest and Fees	213,346		
TOTAL EXPENDITURES	<u>\$ 213,511</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (206,194)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	\$ 507,853	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 301,659	\$	\$
BEGINNING FUND BALANCE			
ENDING FUND BALANCE	<u>\$ 301,659</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>**</u>	<u>**</u>	<u>**</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>**</u>	<u>**</u>	<u>**</u>

** Water and wastewater services are provided by the City of Angleton, Texas.

See accompanying independent auditor's report.

**RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2024**

District Mailing Address - Rancho Isabella Municipal Utility District
Schwartz, Page & Harding, L.L.P.
1300 Post Oak Blvd, Suite 2400
Houston, TX 77056-3012

District Telephone Number - (713) 623-4531

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>September 30, 2024</u>	Expense Reimbursements for the year ended <u>September 30, 2024</u>	<u>Title</u>
Thomas H. Smith	05/2022 05/2026 (Elected)	\$ 2,652	\$ -0-	President
Griffin Rich	05/2022 05/2026 (Elected)	\$ 3,094	\$ -0-	Vice President
DeAndrea Ware	05/2024 05/2028 (Elected)	\$ 3,094	\$ -0-	Secretary
Brendon Savino	05/2022 05/2026 (Elected)	\$ 1,989	\$ -0-	Assistant Secretary
Winston McKnight	05/2024 05/2028 (Elected)	\$ 2,210	\$ -0-	Assistant Secretary

Notes: No Director has any substantial business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on August 24, 2020. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

RANCHO ISABELLA MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2024

Consultants:	<u>Date Hired</u>	<u>Fees / Compensation for the year ended September 30, 2024</u>	<u>Title</u>
Schwartz, Page & Harding, L.L.P.	08/24/20	\$ 134,944 \$ 150,753	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	08/04/21	\$ 12,750 \$ 29,750	Auditor and SB 625 Filing Bond Related
Myrtle Cruz, Inc.	08/24/20	\$ 33,134	Bookkeeper
Pape Dawson Consulting Engineers, LLC.	08/24/20	\$ 84,996	Engineer
Masterson Advisors, LLC	08/24/20	\$ 115,519	Financial Advisor
Mary Jarmon	09/16/20	\$ -0-	Investment Officer
Utility Tax Service, LLC	08/24/20	\$ 15,536	Tax Assessor/ Collector

See accompanying independent 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:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN