

PRELIMINARY OFFICIAL STATEMENT DATED MAY 21, 2026

This PRELIMINARY OFFICIAL STATEMENT is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the OFFICIAL STATEMENT will be completed and delivered to the Underwriter, as defined herein.

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE “LEGAL MATTERS – TAX EXEMPTION” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE DISTRICT WILL DESIGNATE THE BONDS AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “LEGAL MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS.”

NEW ISSUE-Book-Entry-Only

\$2,100,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 565
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX ROAD BONDS
SERIES 2026

The bonds described above (the “Bonds”) are obligations solely of Harris County Municipal Utility District No. 565 (the “District”) and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. 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.”

Dated: July 1, 2026

Due: March 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrars, initially The Bank of New York Mellon Trust Company, N.A. in Houston, Texas (the “Paying Agent/Registrar”). Interest on the Bonds accrues from the initial date of delivery (expected to be on or about July 20, 2026) (the “Date of Delivery”), and is payable each September 1 and March 1, commencing September 1, 2026, 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 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 herein defined) of the Bonds will not receive physical certificates representing the Bonds but will receive a credit balance on the books of the nominees of such Beneficial Owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”

MATURITY SCHEDULE

Due (<u>March 1</u>)	Principal <u>Amount (a)</u>	Interest <u>Rate</u>	Initial Reoffering <u>Yield (b)</u>	CUSIP <u>Number (c)</u>	Due (<u>March 1</u>)	Principal <u>Amount (a)</u>	Interest <u>Rate</u>	Initial Reoffering <u>Yield (b)</u>	CUSIP <u>Number (c)</u>
2028	\$ 45,000				2039	\$ 75,000	(d)		
2029	50,000				2040	80,000	(d)		
2030	50,000				2041	85,000	(d)		
2031	55,000				2042	90,000	(d)		
2032	55,000				2043	95,000	(d)		
2033	60,000 (d)				2044	100,000	(d)		
2034	60,000 (d)				2045	105,000	(d)		
2035	65,000 (d)				2046	105,000	(d)		
2036	65,000 (d)				2047	115,000	(d)		
2037	70,000 (d)				2048	300,000	(d)		
2038	75,000 (d)				2049	300,000	(d)		

- (a) The Underwriter may designate one or more maturities as term bonds. See accompanying “OFFICIAL NOTICE OF SALE and OFFICIAL BID FORM.”
- (b) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
- (c) CUSIP Numbers will be 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.
- (d) Bonds maturing on or after March 1, 2033, are subject to redemption prior to maturity at the option of the District, in whole or, from time to time, in part, on March 1, 2032, or on any date thereafter, at a price equal to par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”

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 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 Coats Rose, P.C., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about July 20, 2026.

Bids Due: Tuesday, June 23, 2026 at 10:30 A.M., Houston Time in Houston, Texas
Bid Award: Tuesday, June 23, 2026, at 12:00 P.M., Houston Time in Houston, Texas

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

TABLE OF CONTENTS

MATURITY SCHEDULE	1
USE OF INFORMATION IN OFFICIAL STATEMENT	3
SALE AND DISTRIBUTION OF THE BONDS	4
Award of the Bonds.....	4
Prices and Marketability.....	4
Securities Laws	4
OFFICIAL STATEMENT SUMMARY	5
SELECTED FINANCIAL INFORMATION (UNAUDITED)	8
PRELIMINARY OFFICIAL STATEMENT	9
THE BONDS	9
General.....	9
Authority for Issuance.....	9
Source of and Security for Payment.....	9
Record Date.....	10
Funds.....	10
No Arbitrage	10
Redemption Provisions	10
Registration and Transfer.....	11
Method of Payment of Principal and Interest	11
Replacement of Paying Agent/Registrar	11
Lost, Stolen or Destroyed Bonds.....	11
Issuance of Additional Debt.....	11
Annexation by the City of Houston.....	12
Consolidation	12
Remedies in Event of Default.....	12
Legal Investment and Eligibility to Secure Public Funds in Texas	13
Defeasance	13
BOOK-ENTRY-ONLY SYSTEM	14
USE AND DISTRIBUTION OF BOND PROCEEDS	16
THE DISTRICT	17
General	17
Description and Location	17
Land Use	17
Status of Development	18
Future Development.....	18
THE DEVELOPER.....	18
Role of a Developer.....	18
Description of the Developer	18
Principal Property Owner.....	19
MANAGEMENT OF THE DISTRICT	19
Board of Directors.....	19
District Consultants	19
THE ROAD SYSTEM.....	20
THE SYSTEM	20
Regulation	20
Source of Water Supply	20
Subsidence District Requirements.....	21
Wastewater Treatment.....	21
Water Distribution, Wastewater, Collection and Storm Drainage.....	21
Flood Protection	21
Waterworks and Sewer System Operating Statement	22
FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)	23
Investments of the District	23
Outstanding Bonds	23
Debt Service Requirements	24
Estimated Overlapping Debt	25
Overlapping Taxes	25
TAX DATA	26
Debt Service Tax.....	26
Maintenance and Operations Tax	26
Tax Exemption.....	26
Tax Rate Distribution	26
Historical Tax Collections	26
Tax Roll Breakdown.....	27
Principal Taxpayers	27
Tax Adequacy for Debt Service.....	28
TAXING PROCEDURES	28
Authority to Levy Taxes	28
Property Tax Code and County-Wide Appraisal District.....	28
Property Subject to Taxation by the District.....	28
Tax Abatement.....	29
Valuation of Property for Taxation	29
Disaster Exemption.....	30
District and Taxpayer Remedies	30
Levy and Collection of Taxes	30
Rollback of Operation and Maintenance Tax Rate	31
District’s Rights in the Event of Tax Delinquencies	32
RISK FACTORS	32
General.....	32
Rental Homes.....	32
Dependence on Principal Taxpayers	33
Potential Effects of Oil Price Fluctuations on the Houston Area.....	33
Specific Flood Type Risks	33
Severe Weather.....	33
Atlas 14.....	33
Possible Impact on District Tax Rate.....	34
Tax Collections Limitations and Foreclosure Remedies	34
Registered Owners’ Remedies	34
Bankruptcy Limitation to Registered Owners’ Rights	35
Future Debt	35
Environmental Regulation and Air Quality.....	35
Marketability of the Bonds	37
Future Legislation	37
Continuing Compliance with Certain Covenants	37
Risk Factors Related to the Purchase of Municipal Bond Insurance.....	37
Cybersecurity	38
LEGAL MATTERS	38
Legal Opinions.....	38
No-Litigation Certificate.....	38
No Material Adverse Change.....	38
Tax Exemption.....	38
Tax Accounting Treatment of Discount and Premium on Certain Bonds	39
Qualified Tax-Exempt Obligations	39
MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE	40
PREPARATION OF OFFICIAL STATEMENT	40
Sources and Compilation of Information	40
Financial Advisor.....	40
Bond Counsel.....	40
Consultants	40
Updating the Official Statement.....	41
Certification of Official Statement.....	41
CONTINUING DISCLOSURE OF INFORMATION	41
Annual Reports	41
Specified Event Notices	42
Availability of Information from MSRB.....	42
Limitations and Amendments	42
Compliance with Prior Undertakings.....	42
MISCELLANEOUS	43
AERIAL PHOTOGRAPH PHOTOGRAPHS OF THE DISTRICT	
APPENDIX A—Independent Auditor’s Report and Financial Statements of the District for the fiscal year ended May 31, 2025	

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an OFFICIAL STATEMENT with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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 representation 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, 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 Coats Rose, P.C., 9 Greenway Plaza, 10th Floor, Houston, Texas, 77046 upon payment of the costs of duplication therefor.

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 (as herein defined) and thereafter only as specified in “PREPARATION OF THE OFFICIAL STATEMENT—Updating the Official Statement.”

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 _____ (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of _____ % of the par value thereof which resulted in a net effective interest rate of _____ % as calculated pursuant to Chapter 1204, Texas Government Code (the IBA method).

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the 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; nor have the Bonds 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 more 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

Description...

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created pursuant to House Bill 1379, 86th Session of the Texas Legislature, Regular Session effective June 10, 2019. The District has all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Article XVI, Section 59, and Article III, Section 52 of the Texas Constitution, House Bill 1379, 86th Texas Legislature, Regular Session, 2019, codified as Chapter 8036, Texas Special District Local Laws Code (the “Act”) and Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 159.54 acres of land and consists of four noncontiguous tracts. See “THE DISTRICT.”

Location...

The District is located in Harris County, entirely in the extraterritorial jurisdiction of the City of Houston and within the Waller Independent School District. The District is located approximately 38 miles northwest of the central downtown business district of the City of Houston and located north of US Highway 290 and west of Texas State Highway 99 (the “Grand Parkway”). Becker Road runs north and south and is adjacent to three tracts in the District. Bauer Hockley Road runs east to west and is adjacent to two tracts in the District. See “THE DISTRICT” and “AERIAL LOCATION MAP.”

The Developer...

The developer of land within the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, (“Lennar Homes”) d.b.a. Friendswood Development Company (the “Developer”). The Developer is wholly owned by Lennar Corporation (“Lennar”), a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker symbol “LEN.” Lennar’s activities include homebuilding, real estate investments, residential and commercial developments, and financial services operations throughout the United States. The Developer has completed development and does not own any acreage in the District. See “THE DEVELOPER,” “TAX DATA—Principal Taxpayers” and “RISK FACTORS—Dependence on Principal Taxpayers and the Developer.”

Status of Development...

The land within the District has been developed as a single-family residential community, consisting of 788 residential lots (approximately 619 traditional single-family residential lots and approximately 169 single-family rental lots) on approximately 133 acres. As of April 18, 2026, the District consisted of 619 completed traditional homes (613 occupied). As of April 18, 2026, the District consisted of 169 completed rental homes (155 occupied). All 169 rental homes are owned and leased by Upward America Central REIT, LP, a Delaware limited partnership (“Upward”). See “RISK FACTORS—Rental Homes.” According to Upward rental homes within the District currently range in rent prices from approximately \$1,575 to \$2,403 per month.

Utilities have been completed for approximately 2 acres of commercial development consisting of a gas station which is operational. In addition, approximately 24 acres are not developable (street easements, drainage detention, parks and recreation space, right-of-way and utility sites). See “THE DISTRICT—Land Use” and “—Status of Development.”

Payment Record...

The District has previously issued one series of unlimited tax bonds for the purpose of financing road facilities and three series of unlimited tax water, sewer and drainage bonds, of which \$23,560,000 is collectively outstanding (the “Outstanding Bonds”). The Bonds are the District’s second issuance of unlimited tax bonds for the purpose of financing road facilities. The District has never defaulted in the payment of principal and interest on the Outstanding Bonds. Twelve (12) months of interest will be capitalized from Bond proceeds for payment of debt service on the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

THE BONDS

<i>Description...</i>	Harris County Municipal Utility District No. 565 Unlimited Tax Road Bonds, Series 2026, in the aggregate principal amount of \$2,100,000 maturing serially on March 1 in each of the years 2028 through 2049, both inclusive. The Bonds are dated July 1, 2026, and interest on the Bonds accrues from the Date of Delivery at the rates per annum set forth on the cover page hereof, and is payable on September 1, 2026, and each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. The Bonds will be issued as fully registered bonds, pursuant to an order authorizing the issuance of the Bonds (the “Bond Order”), adopted by the Board of Directors of the District (the “Board”), in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. See “THE BONDS—General.”
<i>Book-Entry-Only System...</i>	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 (“Registered Owner”). One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Redemption...</i>	Bonds maturing on or after March 1, 2033, 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 March 1, 2032, 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. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to pay for the items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to capitalize twelve (12) months of interest on the Bonds; to pay interest on funds that have been advanced by the Developer on behalf of the District; and to pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<i>Authority for Issuance...</i>	The Bonds are the second series of bonds issued out of an aggregate of \$40,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of financing road facilities to serve the land within its boundaries. The Bonds are issued by the District pursuant to the terms and conditions of an order authorizing the issuance of the Bonds (the “Bond Order”), Article III, Section 52 of the Texas Constitution, the Act, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance” and “RISK FACTORS—Future Debt.”
<i>Source of Payment...</i>	Principal of and interest on the Bonds, the Outstanding Bonds, and such additional tax bonds as may hereafter be issued by the District are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “THE BONDS—Source of and Security for Payment.”
<i>Municipal Bond Rating And Municipal Bond Insurance...</i>	The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made. The District has submitted applications to municipal bond insurers for a contract for municipal bond insurance on the Bonds. If qualified, purchase of such insurance will be available at the option of the Underwriter and at the Underwriter’s expense. See “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”
<i>Qualified Tax-Exempt Obligations...</i>	The Bonds will be designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended, and the District will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2026 is not expected to exceed \$10,000,000. See “LEGAL MATTERS—Qualified Tax-Exempt Obligations.”

<i>Bond Counsel...</i>	Coats Rose, P.C., Bond Counsel, Houston, Texas. See “MANAGEMENT OF THE DISTRICT” and “LEGAL MATTERS.”
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT” and “PREPARATION OF OFFICIAL STATEMENT.”
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A. in 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 Certified Taxable Assessed Valuation	\$201,526,401	(a)
2026 Preliminary Taxable Assessed Valuation	\$199,452,086	(b)
Gross Direct Debt Outstanding	\$25,660,000	(c)
Estimated Overlapping Debt.....	<u>26,138,045</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt	\$51,798,045	
Ratios of Gross Direct Debt to:		
2025 Certified Taxable Assessed Valuation	12.73%	
2026 Preliminary Taxable Assessed Valuation	12.87%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2025 Certified Taxable Assessed Valuation	25.70%	
2026 Preliminary Taxable Assessed Valuation	25.97%	
Funds Available for Debt Service as of May 21, 2026		
Water, Wastewater and Drainage Debt Service Fund.....	\$1,270,580	(e)
Road Debt Service Fund.....	212,421	(e)
Capitalized Interest from Bond proceeds (Twelve (12) months).....	<u>99,750</u>	(f)
Total Funds Available for Debt Service	\$1,582,751	
Available General Operating Funds as of May 21, 2026.....	\$2,236,343	
Available Water, Wastewater and Drainage Capital Project Funds as of May 21, 2026.....	\$ 55,812	
Available Road Capital Projects Funds as of May 21, 2026.....	\$ 12,573	
2025 Debt Service Tax Rate	\$0.88	
2025 Maintenance Tax Rate	<u>0.52</u>	
2025 Total Tax Rate	\$1.40	
Projected Average Annual Debt Service Requirement (2027-2049).....	\$1,757,122	(g)
Projected Maximum Annual Debt Service Requirement (2047)	\$1,808,853	(g)
Tax Rates Required to Pay Average Annual Debt Service (2027-2049) at a 95% Collection Rate		
Based upon 2025 Certified Taxable Assessed Valuation	\$ 0.92	(g)
Based upon 2026 Preliminary Taxable Assessed Valuation.....	\$ 0.93	(g)
Tax Rates Required to Pay Maximum Annual Debt Service (2047) at a 95% Collection Rate		
Based upon 2025 Certified Taxable Assessed Valuation	\$ 0.95	(g)
Based upon 2026 Preliminary Taxable Assessed Valuation.....	\$ 0.96	(g)
Status of Development as of April 18, 2026 (h):		
<u>Traditional Single-Family Residential:</u>		
Total Single-Family Residential Lots	619	
Total Completed Single-Family Residential Homes (613 Occupied).....	619	
<u>Single-Family Residential Rental Homes:</u>		
Total Rental Single-Family Lots	169	
Total Completed Rental Single-Family Homes (155 Occupied)	169	
Estimated Population	2,730	(i)

- (a) As certified by the Harris Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as a preliminary indication of the 2026 taxable value as of January 1, 2026. Such value is subject to property owner protest, Appraisal District review and downward revision prior to certification. Such amount includes the 2026 preliminary real property value in the amount of \$198,411,990 and the 2025 certified personal property value in the District in the amount of \$1,040,096. No tax will be levied upon such amount until it is certified by the Appraisal District. See "TAXING PROCEDURES."
- (c) 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."
- (e) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on an equal basis, a pro rata portion of the District's ad valorem tax revenue will be allocated to bonds sold for road facilities ("Road Bonds"), including the Bonds, and a pro rata portion of bonds issued for water, wastewater and drainage facilities ("Water, Wastewater and Drainage Bonds"). Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (f) The District will capitalize twelve (12) months of calculated interest from the Bond proceeds and deposit such funds in a Road Debt Service Fund. The amount above is based on an estimated interest rate of 4.75% per annum. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (g) The debt service calculations herein are based on an estimated interest rate of 4.75%. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."
- (h) See "THE DISTRICT—Land Use—Status of Development."
- (i) Based upon 3.5 persons per occupied single-family residence.

PRELIMINARY OFFICIAL STATEMENT

\$2,100,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 565 *(A political subdivision of the State of Texas located within Harris County)*

UNLIMITED TAX ROAD BONDS SERIES 2026

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris County Municipal Utility District No. 565 (the “District”) of its \$2,100,000 Unlimited Tax Road Bonds, Series 2026 (the “Bonds”).

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created pursuant to House Bill 1379, 86th Session of the Texas Legislature, Regular Session effective June 10, 2019 (the “Act”). The Bonds are issued by the District pursuant to the terms and conditions of an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”), Article III, Section 52 of the Texas Constitution, Senate Bill 2464, 81st Texas Legislature, Regular Session, codified at Chapter 9038, Texas Special District Local Laws Code (the “Act”), Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District on November 5, 2019, and general laws of the State of Texas (“Texas”) relating to the issuance of bonds by political subdivisions of Texas.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and certain other information about the District, Lennar Homes of Texas Land and Construction Ltd., a Texas limited partnership, (“Lennar Homes”) d.b.a. Friendswood Development 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 documents may be obtained from Coats Rose, P.C. (“Bond Counsel”), 9 Greenway Plaza, Suite 1000, Houston, Texas 77046 upon payment of the costs of duplication therefore.

THE BONDS

General

The following is a description of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order of the Board authorizing the issuance and sale of the Bonds. 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.

The Bonds will be dated July 1, 2026, and will accrue interest from the Date of Delivery with interest payable on each September 1 and March 1, commencing September 1, 2026, until the earlier of maturity or prior redemption. The Bonds mature on March 1 in the principal amounts and years and accrue interest at the rates shown on the cover page of this OFFICIAL STATEMENT. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Authority for Issuance

At a bond election held within the District on November 5, 2019, the voters of the District authorized the issuance of a total of \$40,000,000 principal amount of unlimited tax bonds for the purpose of financing road improvements and facilities to the land within its boundaries. The Bonds are issued pursuant to such authorization. See “Issuance of Additional Debt” below.

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, the Act, 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.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

Source of and Security for Payment

While the Bonds, the Outstanding Bonds, or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Order to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and no other purpose.

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

Record Date

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

Funds

In the Bond Order, the Road Debt Service Fund is confirmed, and the proceeds from all taxes levied and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, in such fund.

The District also maintains a Water, Wastewater and Drainage Fund for bonds sold for water, wastewater and drainage facilities (the “Water, Wastewater and Drainage Bonds”) that is not pledged to bonds issued to finance road facilities (the “Road Bonds”), including the Bonds. Funds in the Road Debt Service Fund are not available to pay principal and interest on Water, Wastewater and Drainage Bonds.

Twelve (12) months of capitalized interest shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Road Capital Projects Fund, to pay the costs of acquiring or constructing road improvements and facilities and for paying the costs of issuing the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” for a more complete description of the use of Bond proceeds.

No Arbitrage

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after March 1, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on March 1, 2032, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. 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 that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office in Houston, Texas and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order. While the Bonds are in the Book-Entry-Only system, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See "BOOK-ENTRY-ONLY SYSTEM."

In the event the "Book-Entry-Only" System is discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in a form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

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 to the Beneficial Owners of the Bonds. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners. See "BOOK-ENTRY-ONLY SYSTEM."

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Order.

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

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bonds. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Issuance of Additional Debt

The District may issue additional bonds necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. After issuance of the Bonds, the District will have \$34,900,000 principal amount of road bonds remain authorized but unissued. The voters of the District also have authorized \$16,000,000 principal amount of unlimited tax bonds for the purpose of refunding unlimited tax bonds for road facilities, \$255,810,000 amount of unlimited tax bonds for water, wastewater and drainage improvements and facilities, \$102,325,000 amount of unlimited tax bonds for refunding water, wastewater and drainage improvements and facilities, \$20,410,000 principal amount of unlimited tax bonds for financing park and recreational facilities and \$8,165,000 principal amount of unlimited tax bonds for refunding unlimited tax bonds for park and recreational facilities. The District could authorize additional amounts. After issuance of the Bonds, the District will also have \$233,970,000 principal amount of unlimited tax bonds for the purposes of financing water, wastewater and drainage improvements and facilities authorized but unissued. If the District does issue park bonds, the

outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District; however, the outstanding principal amount of such bonds may exceed one percent (1%) but not three percent (3%) of the value of the taxable property in the District if the District has (i) a ratio of debt to certified assessed valuation of ten percent (10%) or less; (ii) a credit rating that conforms to the TCEQ rules; (iii) a credit enhanced rating on the District's bond issue that conforms to the TCEQ rules; or (iv) a contract with a political subdivision or an entity acting on behalf of a political subdivision under which the subdivision or the entity agrees to provide to the District taxes or other revenues, as consideration for the District's development or acquisition of the facility, including a contract under Section 49.108 of the Texas Water Code, as amended. 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.

After approval by the District's voters, the City of Houston and the TCEQ, the District may elect to issue unlimited tax bonds for the purpose of providing fire-fighting facilities. The District has not considered calling an election to authorize bonds for fire-fighting facilities at this time.

The issuance of additional debt for any of the above-described purposes and the levy of taxes to pay debt service on such debt could dilute the investment security for the Bonds.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation.

If the District is annexed, the City of Houston will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District currently is not contemplating consolidation.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or the 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 statutory right of 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. See "RISK FACTORS—Registered Owners' Remedies and Bankruptcy Limitations to Registered Owners' Rights."

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.

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) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning Depository Trust Company (“DTC”), New York, NY 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.

The 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).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 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.

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were prepared by Pape-Dawson Engineers (the “Engineer”). Non-construction 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 may be expended for any lawful purpose for which surplus construction funds may be used, where required.

CONSTRUCTION COSTS

Paving for Becker Fields, Section One.....	\$	271,911
Paving for Becker Fields, Section Two.....		346,562
Paving for Becker Fields, Section Three.....		507,114
Paving for Becker Fields, Section Four.....		237,117
Engineering Fees.....		283,720

Total Construction Costs..... \$ 1,646,424

NON-CONSTRUCTION COSTS

Underwriter's Discount (Estimated 3.00%).....	\$	63,000
Capitalized Interest (Twelve Months Estimated at 4.75%).....		99,750
Developer Interest (Estimated).....		88,519

Total Non-Construction Costs..... \$ 251,269

ISSUANCE COSTS AND FEES

Issuance Costs and Professional Fees.....	\$	145,007
Engineering Report Costs.....		25,000
Road Appraisal Fee.....		30,200
Attorney General's Fee.....		2,100

Total Issuance Costs and Fees..... \$ 202,307

TOTAL BOND ISSUE REQUIREMENT \$ 2,100,000

THE DISTRICT

General

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created pursuant to House Bill 1379, 86th Session of the Texas Legislature, Regular Session effective June 10, 2019 (the “Act”) codified as Chapter 8036, Texas Special District Local Laws Code. The District has with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, the Act, and Chapters 49 and 54 of the Texas Water Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; the control and diversion of storm water; to finance, develop and maintain parks and recreational facilities, and to acquire, construct, finance, improve and operate road facilities, among other things. The District may also provide solid waste collection and disposal service and contract for or employ peace officers. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District is subject to the continuing supervision of the TCEQ.

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to 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 Houston of District construction plans; and permit connections only to lots and reserves described in plats which have been approved by the City of Houston and filed in the real property records of Harris County, Texas. The District is also required to obtain TCEQ approvals prior to acquiring, constructing and financing water, wastewater, drainage, recreation and fire-fighting facilities. See “THE SYSTEM—Regulation.”

Description and Location

The District consists currently of approximately 159.54 acres of land, consisting of four noncontiguous tracts. The District is located in Harris County, entirely in the extraterritorial jurisdiction of the City of Houston and within the Waller Independent School District. The District is located approximately 38 miles northwest of the central downtown business district of the City of Houston and located north of US Highway 290 and west of Texas State Highway 99 (the “Grand Parkway”). Becker Road runs north and south and is adjacent to three tracts in the District. Bauer Hockley Road runs east to west and is adjacent to two tracts in the District. See “AERIAL LOCATION MAP” herein.

Land Use

The following table has been provided by the Engineer and represents the current land use within the District.

<i>Single-Family Residential</i>	Approximate Acres	Lots
Becker Meadows Section One.....	10	57
Section Two.....	11	70
Section Three.....	10	62
Section Four.....	11	73
Becker Fields Section One (a).....	13	72
Section Two (b).....	10	65
Section Three (c).....	12	73
Section Four.....	9	55
Becker Trace Section One.....	13	68
Section Two.....	12	68
Becker Landing Section One.....	<u>22</u>	<u>125</u>
	133	788
<i>Gas Station</i>	2	---
<i>Undevelopable (d)</i>	<u>24</u>	<u>---</u>
District Total.....	<u>159</u>	<u>788</u>

- (a) 66 lots are part of a rental community.
- (b) All lots are part of a rental community.
- (c) 38 lots are part of a rental community.
- (d) Consists of street easements, drainage detention, parks and recreation space, right-of-way and utility sites.

Status of Development

Single Family Residential: The land within the District has been developed primarily as a single-family residential community, currently consisting of 788 residential lots (approximately 619 traditional single-family residential lots and approximately 169 single-family rental lots) on approximately 133 acres. As of April 18, 2026, the District consisted of 619 completed traditional homes (613 occupied). As of April 18, 2026, the District consisted of 169 completed rental homes (155 occupied). All 169 homes are owned and leased by Upward America Central REIT, LP, a Delaware limited partnership (“Upward”). According to Upward rental homes within the District currently range in rent prices from approximately \$1,575 to \$2,403 per month. The estimated population within the District is 2,730 based upon 3.5 persons per occupied single-family residence. See “THE DEVELOPER—Principal Property Owner” and “RISK FACTORS—Rental Homes.”

Commercial: Utilities have been completed for approximately 2 acres of commercial development consisting of a gas station which is operational.

Future Development

The District anticipates issuing additional bonds to fund water, wastewater, drainage, road and park 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 (\$289,280,000) should be sufficient to finance the construction of water, wastewater, and drainage facilities, park and recreational facilities, and roads for the District. See “THE ROAD SYSTEM,” “THE SYSTEM” and “RISK FACTORS—Future Debt.”

THE DEVELOPER

Role of a Developer

In general, the activities of a landowner or developer in a municipal utility 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. While a developer is required by the TCEQ to pave streets in areas being financed with bond proceeds, 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. See “RISK FACTORS.”

Description of the Developer

The principal developer of land within the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, (“Lennar Homes”) d.b.a. Friendswood Development Company (the “Developer.”) The Developer is wholly owned by Lennar Corporation (“Lennar”), a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker symbol “LEN.” Lennar’s activities include homebuilding, real estate investments, residential and commercial developments, and financial services operations throughout the United States. To date, the Developer has developed approximately 133 acres within the District as Becker Meadows, Becker Fields, Becker Trace, and Becker Landing. The Developer has completed development and does not own any acreage in the District.

Neither the Developer, nor any affiliates of the Developer are responsible for, liable for, or have made any commitment for payment of the Bonds or other obligations of the District. Neither the Developer, nor any affiliates of the Developer have any legal commitment to the District or the owners of the Bonds to continue development of the land within the District, and the Developer may sell or otherwise dispose of property within the District, or any assets, at any time. Further, the financial condition of the Developer is subject to change.

Lennar files annual, quarterly, and current reports, proxy statements and other information with the SEC. Lennar’s SEC filings are available to the public over the internet at the SEC’s website at <http://www.sec.gov>. You may also read and copy any document that Lennar may have filed with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC0330 for further information regarding the operation of the Public Reference Room. In addition, Lennar makes available on their web site <http://www.lennar.com> their annual reports on form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (and any amendments to those reports) filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as practicable after they have been electronically filed with the SEC. Unless otherwise specified, information contained on Lennar’s web site, available by hyperlink from Lennar’s web site or on the SEC’s web site, is not incorporated into this OFFICIAL STATEMENT. The District has not obtained any representations from Lennar concerning their publicly available filings or undertaken any review thereof and assumes no responsibility for the information contained therein.

Principal Property Owner

A portion of the homes constructed in Becker Fields Sections One through Three (169 lots) have been constructed by Lennar Homes and sold to Upward America Central REIT, LP, a Delaware limited partnership (“Upward”) as a rental community. Upward currently owns and leases 169 properties within the District. No information is available from the Appraisal District related to the 2026 Preliminary Taxable Assessed Valuation of \$199,452,086, which is subject to review and downward revision prior to certification, for Upward’s property ownership within the District. Upward, as the owner of a portion of the homes in Becker Fields, as described above, is responsible for the payment of property taxes, maintenance of such homes and the landscape maintenance of the front yards. See “TAX DATA—Principal Taxpayers” and “RISK FACTORS—Rental Homes.”

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 staggered four-year terms and elections are held on the first Saturday of May of even numbered years. All of the Board members own land within the District subject to a note and deed of trust in favor of the Developer. The current members and officers of the Board along with their titles and terms are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
Taylor Lewis Gaver	President	May 2028
Kevin Kulhanek	Vice President	May 2030
Kevin O’Kelley	Secretary	May 2030
Jennie Mussler	Assistant Secretary	May 2028
Ted Cashion	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: Coats Rose, P.C. 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, Coats Rose, P.C. serves as general counsel to the District on matters other than the issuance of 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.

Auditor: The financial statements of the District as of May 31, 2025, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A.” The District has engaged Forvis Mazars, LLP, to audit its financial statements for the year ended May 31, 2026.

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

Tax Appraisal and Collections: The Harris Central 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. Assessments of the Southwest, Inc. (the “Tax Assessor/Collector”) has been employed by the District to serve in this capacity.

Bookkeeper: The District has contracted with L&S District Services (the “Bookkeeper”) for bookkeeping services.

Operator: The operation and maintenance of the District’s water and wastewater systems are overseen by Si Environmental (the “Operator”).

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P. serves as Disclosure Counsel to the District in connection with the issuance of the Bonds. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

THE ROAD SYSTEM

The District’s road system consists of public roadway improvements serving the Becker Fields, Becker Meadows, Becker Trace, and Becker Landing subdivisions, which comprise the developed residential portions of the District. Although the District consists of four noncontiguous tracts, each tract is served by public roads that provide access to Becker Road and/or Bauer Hockley Road, connecting the District to the surrounding transportation network in northwest Harris County. The road system has been designed and constructed in accordance with Harris County standards and specifications, including reinforced concrete pavement with curbs on lime-stabilized subgrade. Harris County has accepted the public roads within the District and is responsible for their ongoing maintenance.

THE SYSTEM

Regulation

According to the Engineer, the District’s water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the “System”) have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the TCEQ and U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, the City of Houston, Harris County and, in some instances, the TCEQ. Harris County and the City of Houston also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. The following descriptions are based upon information supplied by the District’s Engineer.

Source of Water Supply

Water supply to the District is currently provided by the District’s water supply and storage facility. This facility consists of a two 500-gpm water wells, two 15,000-gallon hydropneumatics tanks, a 193, 100-gallon ground storage tank, and four booster pumps (900-gpm each) with a total capacity of 7,200-gpm along with emergency power facilities. The current facility is capable of serving approximately 1,500 equivalent single-family connections (“ESFCs”). As of May 2026, the District is serving approximately 782 ESFCs. According to the District’s Engineer, the District’s existing water supply facilities provide adequate capacity to serve the existing development in the District. The District also has an emergency interconnect agreement with Harris County Municipal Utility District No. 319.

Subsidence District Requirements

The District is within the boundaries of the Harris-Galveston Subsidence District (the “Subsidence District”) which regulates groundwater withdrawal. The District’s authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District’s jurisdiction. In 1999, the Texas legislature created the North Harris County Regional Water Authority (the “Authority”) to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Harris County (including the District).

The Authority has developed a Groundwater Reduction Plan (“GRP”) and obtained Subsidence District approval of its GRP. The Authority’s GRP sets forth the Authority’s plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The Authority has entered into a Water Supply Contract with the City of Houston, Texas (“Houston”) to obtain treated surface water from Houston. The District is included within the Authority’s GRP.

The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, rates, and charges as necessary to accomplish its purposes. The Authority currently charges the District, and other major groundwater users, a fee of \$2.60 per 1,000 gallons of groundwater pumped and \$3.05 for surface water received. These fees are subject to increase in the future. The Authority has issued revenue bonds to fund, among other things, certain Authority surface water project costs, including the construction of a network of transmission and distribution lines, storage tanks and pumping stations to transport and distribute water within the Authority (the “Authority System”). It is expected that the Authority will issue substantially more bonds by the year 2035 to finance the Authority’s project costs.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total annual water demand within the Authority’s GRP beginning in 2010; (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand within the Authority’s GRP beginning in 2025; and (iii) limit groundwater withdrawals to no more than 20% of the total annual water demand within the Authority’s GRP beginning in 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty (“Disincentive Fees”) imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand within the Authority’s GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. Groundwater pumped from wells located within the Authority is not currently subject to the Disincentive Fee. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to continue passing such fees through to its customers resulting in higher water rates. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District’s surface water conversion requirements, or (iii) will comply with its GRP.

Wastewater Treatment

The District currently receives wastewater treatment from a leased plant from AUC Group, Inc. that has capacity of 200,000 gallon per day (“gpd”), which is capable of serving 800 ESFCs. According to the District’s Engineer, the District’s existing wastewater treatment facilities provide adequate capacity to serve the existing development in the District. As of May 2026, the District is serving approximately 782 ESFCs.

Water Distribution, Wastewater, Collection and Storm Drainage

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 788 single-family residential lots on approximately 133 acres and a gas station located on approximately 2 acres. See “THE DISTRICT—Land Use.”

Flood Protection

“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 rainstorm 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, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. Currently there are 4 residential lots that are partially within the 100-year flood plain according to FEMA maps. The lots have been filled above the 100-year flood plain elevation, and the District’s engineer is currently working with FEMA and Harris County Flood Control District to have the lots removed from the 100 year flood plain area.

Waterworks and Sewer System Operating Statement

The Bonds and Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and wastewater operations are not pledged to the payment of the Bonds or Outstanding Bonds but are available for any lawful purpose including payment of debt service on the Bonds or Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds and Outstanding Bonds. The following statement sets forth in condensed form the historical results of operation of the District's General Fund as derived from the District's audited financial statements for the fiscal years ended May 31, 2022 through 2025. An unaudited summary for the fiscal year ended May 31, 2026 has been provided by the Bookkeeper. 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.

	6/1/2025 to 5/31/2026	<u>Fiscal Year Ended May 31</u>			
	2025	2024	2023	2022	
Revenues:					
Property Taxes	\$ 1,028,180	\$ 838,464	\$ 1,011,556	\$ 642,705	\$ 179,798
Water Service	193,862	204,749	192,798	185,000	55,643
Sewer Service	438,806	479,225	417,871	298,524	77,057
Regional Water Fee	160,505	197,031	252,836	292,389	54,120
Penalty and Interest	13,455	14,389	12,065	14,915	2,368
Tap Connection and Inspection Fees	3,229	27,768	245,597	447,763	576,105
Investment Income	57,181	54,190	17,017	1,267	1,743
Total Revenues	<u>\$ 1,895,217</u>	<u>\$ 1,815,816</u>	<u>\$ 2,149,740</u>	<u>\$ 1,882,563</u>	<u>\$ 946,834</u>
Expenditures:					
Lease Payments	\$ 224,350	\$ 240,600	\$ 240,600	\$ 179,350	\$ 135,600
Regional Water Fee	157,100	177,898	243,827	288,130	78,623
Professional Fees	82,091	95,032	140,249	94,172	114,781
Contracted Services	333,503	329,392	292,585	260,570	107,561
Utilities	101,458	101,874	101,399	71,004	42,588
Repairs and Maintenance	214,283	365,192	355,265	345,283	188,343
Other Expenditures	141,529	39,201	31,686	23,172	21,871
Tap Connections	1,334	4,508	99,381	177,028	236,624
Capital Outlay	-	38,865	-	-	98,840
Debt Service, Debt Issuance Costs	-	10,875	-	-	79,200
Total Expenditures	<u>\$ 1,255,647</u>	<u>\$ 1,403,437</u>	<u>\$ 1,504,992</u>	<u>\$ 1,438,709</u>	<u>\$ 1,104,031</u>
NET REVENUES	<u>\$ 639,569</u>	<u>\$ 412,379</u>	<u>\$ 644,748</u>	<u>\$ 443,854</u>	<u>\$ (157,197)</u>
Other Financing Sources (Uses)					
Interfund Transfers In	\$ -	\$ -	\$ -	\$ 102,994	\$ -
Developer Advances Received	\$ -	\$ -	\$ -	\$ 138,500	\$ 195,000
General Operating Fund Balance (Beginning of Year)	<u>\$ 1,758,844</u>	<u>\$ 1,346,465</u>	<u>\$ 701,717</u>	<u>\$ 16,369</u>	<u>\$ (21,434)</u>
General Operating Fund Balance (End of Year)	<u>\$ 2,398,413</u>	<u>\$ 1,758,844</u>	<u>\$ 1,346,465</u>	<u>\$ 701,717</u>	<u>\$ 16,369</u>

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2025 Certified Taxable Assessed Valuation	\$201,526,401	(a)
2026 Preliminary Taxable Assessed Valuation	\$199,452,086	(b)
Gross Direct Debt Outstanding	\$25,660,000	(c)
Estimated Overlapping Debt.....	<u>26,138,045</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt	\$51,798,045	
Ratios of Gross Direct Debt to:		
2025 Certified Taxable Assessed Valuation	12.73%	
2026 Preliminary Taxable Assessed Valuation	12.87%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2025 Certified Taxable Assessed Valuation	25.70%	
2026 Preliminary Taxable Assessed Valuation	25.97%	
Funds Available for Debt Service as of May 21, 2026		
Water, Wastewater and Drainage Debt Service Fund.....	\$1,270,580	(e)
Road Debt Service Fund.....	212,421	(e)
Capitalized Interest from Bond proceeds (Twelve (12) months).....	<u>99,750</u>	(f)
Total Funds Available for Debt Service	\$1,582,751	
Available General Operating Funds as of May 21, 2026.....	\$2,236,343	
Available Water, Wastewater and Drainage Capital Project Funds as of May 21, 2026.....	\$ 55,812	
Available Road Capital Projects Funds as of May 21, 2026.....	\$ 12,573	

- (a) As certified by the Appraisal District. See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for information purposes only. Such amount reflects increases in value occurring between January 1, 2025, and December 1, 2025. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. Such amount includes the 2026 preliminary real property value in the amount of \$198,411,990 and the 2025 certified personal property value in the District in the amount of \$1,040,096. No taxes will be levied upon such amount until it is certified by the Appraisal District. See "TAXING PROCEDURES."
- (c) Provided by the Appraisal District as a preliminary indication of the 2026 taxable value as of January 1, 2026. Such value is subject to property owner protest, Appraisal District review and downward revision prior to certification. No tax will be levied upon such amount until it is certified by the Appraisal District. See "TAXING PROCEDURES."
- (d) The Outstanding Bonds and the Bonds. See "—Outstanding Bonds" herein.
- (e) See "—Estimated Overlapping Debt" herein.
- (f) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on an equal basis, a pro rata portion of the District's ad valorem tax revenue will be allocated to bonds sold for road facilities ("Road Bonds"), including the Bonds, and a pro rata portion of bonds issued for water, wastewater and drainage facilities ("Water, Wastewater and Drainage Bonds"). Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "—Debt Service Requirements" herein.
- (g) The District will capitalize twelve (12) months of calculated interest from the Bond proceeds and deposit such funds in a Road Debt Service Fund. The amount above is based on an estimated interest rate of 4.75% per annum. 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, the inclusion of long-term securities or derivative products in the District's investment portfolio.

Outstanding Bonds

The District has previously issued one series of unlimited tax bonds for the purpose of financing road facilities and three series of unlimited tax water, sewer and drainage bonds, of which \$23,560,000 is outstanding (the "Outstanding Bonds"). The following table lists the original principal amount of the bonds issued by the District and the Outstanding Bonds.

Series	Original Principal Amount	Outstanding Bonds
2022	\$ 4,740,000	\$ 4,410,000
2023	12,300,000	11,700,000
2023 (a)	3,000,000	2,875,000
2024	<u>4,800,000</u>	<u>4,575,000</u>
Total	\$ 24,840,000	\$ 23,560,000

- (a) Unlimited Tax Road Bonds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds and the estimated debt service on the Bonds at an estimated interest rate per annum of 4.75%. This schedule does not reflect the fact that the District 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	The Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2026	\$ 999,021.88 (a)		\$ 11,360.42	\$ 11,360.42	\$ 1,010,382.29
2027	1,643,968.75		99,750.00	99,750.00	1,743,718.75
2028	1,639,481.25	\$ 45,000	98,681.25	143,681.25	1,783,162.50
2029	1,617,643.75	50,000	96,425.00	146,425.00	1,764,068.75
2030	1,608,075.00	50,000	94,050.00	144,050.00	1,752,125.00
2031	1,606,475.00	55,000	91,556.25	146,556.25	1,753,031.25
2032	1,597,518.75	55,000	88,943.75	143,943.75	1,741,462.50
2033	1,586,881.25	60,000	86,212.50	146,212.50	1,733,093.75
2034	1,599,181.25	60,000	83,362.50	143,362.50	1,742,543.75
2035	1,594,706.25	65,000	80,393.75	145,393.75	1,740,100.00
2036	1,598,906.25	65,000	77,306.25	142,306.25	1,741,212.50
2037	1,606,431.25	70,000	74,100.00	144,100.00	1,750,531.25
2038	1,612,106.25	75,000	70,656.25	145,656.25	1,757,762.50
2039	1,615,906.25	75,000	67,093.75	142,093.75	1,758,000.00
2040	1,627,831.25	80,000	63,412.50	143,412.50	1,771,243.75
2041	1,631,806.25	85,000	59,493.75	144,493.75	1,776,300.00
2042	1,633,675.00	90,000	55,337.50	145,337.50	1,779,012.50
2043	1,638,437.50	95,000	50,943.75	145,943.75	1,784,381.25
2044	1,650,037.50	100,000	46,312.50	146,312.50	1,796,350.00
2045	1,648,950.00	105,000	41,443.75	146,443.75	1,795,393.75
2046	1,659,887.50	105,000	36,456.25	141,456.25	1,801,343.75
2047	1,662,621.88	115,000	31,231.25	146,231.25	1,808,853.13
2048	1,352,562.50	300,000	21,375.00	321,375.00	1,673,937.50
2049	1,359,053.13	300,000	7,125.00	307,125.00	1,666,178.13
Total	\$ 37,791,165.63	\$ 2,100,000	\$ 1,533,022.92	\$ 3,633,022.92	\$ 41,424,188.54

(a) Excludes the debt service payment on March 1, 2026 in the approximate amount of \$652,434.

Average Annual Debt Service Requirements (2027-2049)	\$1,757,122
Maximum Annual Debt Service Requirement (2047)	\$1,808,853

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
Harris County.....	\$ 2,473,177,553	4/30/2026	0.03%	\$ 741,953
Harris County Flood Control District.....	937,165,000	4/30/2026	0.03%	281,150
Harris County Hospital District.....	861,580,000	4/30/2026	0.03%	258,474
Harris County Department of Education.....	28,960,000	4/30/2026	0.03%	8,688
Port of Houston Authority.....	386,074,397	4/30/2026	0.03%	115,822
Waller Independent School District.....	1,084,735,000	4/30/2026	2.28%	<u>24,731,958</u>
Total Estimated Overlapping Debt.....				\$ 26,138,045
The District.....	\$ 25,660,000	(a)	100.00%	<u>25,660,000</u>
Total Direct and Estimated Overlapping Debt.....				\$ 51,798,045

Direct and Estimated Overlapping Debt as a Percentage of:

2025 Certified Taxable Assessed Valuation of \$201,526,401	25.70%
2026 Preliminary Taxable Assessed Valuation of \$199,452,086.....	25.97%

(a) Includes the Bonds and the Outstanding 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 (see “Estimated Overlapping Debt” above), 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 the taxes levied for the 2025 tax year by all entities overlapping the District and the District. No recognition is given to local assessments for civic association dues, fire department contributions or any other levy of entities other than political subdivisions.

	2025 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Harris County (a).....	\$ 0.628928
Waller Independent School District.....	1.062600
Harris County ESD No. 3.....	0.100000
Harris County ESD No. 21.....	<u>0.100000</u>
Total Overlapping Tax Rate.....	\$ 1.891528
The District (b).....	<u>\$ 1.400000</u>
Total Tax Rate.....	\$ 3.291528

- (a) Includes Harris County, Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education and the Port of Houston Authority.
- (b) See “TAX DATA—Debt Service Tax” and “—Maintenance and Operations Tax.”

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 remain outstanding and unpaid, the tax adequate to provide funds to pay the principal of and interest on the Bonds. See “Tax Rate Distribution” and “Tax Roll Breakdown” below.

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 conducted November 5, 2019, and voters of the District authorized the Board, among other things, to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 appraised valuation for water, sewer and drainage purposes, and \$1.50 per \$100 appraised valuation for road purposes. In addition, at the November 5, 2019 election, the voters of the District also authorized to levy a maintenance tax rate not to exceed \$0.10 per \$100 appraised valuation specifically related to maintenance of park and recreational facilities. Any maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.

Tax Exemption

The District currently grants no exemptions from ad valorem taxes.

Tax Rate Distribution

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Debt Service	\$ 0.880	\$ 0.950	\$ 0.770	\$ 0.310	\$ -
Maintenance and Operations	0.520	0.500	0.680	1.140	1.450
Total	<u>\$ 1.400</u>	<u>\$ 1.450</u>	<u>\$ 1.450</u>	<u>\$ 1.450</u>	<u>\$ 1.450</u>

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 the Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Breakdown” below.

Tax Year	Certified Taxable		Tax Rate	Total Tax Levy	Total Collections as of April 30, 2026 (b)	
	Assessed Valuation (a)				Amount	Percent
2021	\$ 13,258,696		\$ 1.45	\$ 192,251	\$ 192,251	100.00%
2022	55,334,705		1.45	802,353	802,353	100.00%
2023	149,451,079		1.45	2,167,041	2,166,324	99.97%
2024	168,065,366		1.45	2,436,948	2,428,780	99.66%
2025	201,526,401		1.40	2,821,370	2,783,148	98.65%

- (a) As certified by the Appraisal District.
 (b) Unaudited.

Tax Roll Breakdown

The District’s appraised 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 Certified Taxable Assessed Valuations. An accurate breakdown related to the 2026 Preliminary Taxable Assessed Valuation of \$199,452,086, which is subject to review and downward revision prior to certification, is not available from the Appraisal District.

Tax Year	Type of Property			Gross Assessed Valuations	Deferments and Exemptions(a)	Net Assessed Valuations
	Land	Improvements	Personal Property			
2021	\$5,632,978	\$ 7,600,519	\$1,216,400	\$ 14,449,897	\$ (1,191,201)	\$ 13,258,696
2022	21,974,515	33,448,297	24,637	55,447,449	(112,744)	55,334,705
2023	30,750,092	119,245,240	32,751	150,028,083	(577,004)	149,451,079
2024	35,236,518	133,130,983	102,746	168,470,247	(404,881)	168,065,366
2025	36,100,266	167,260,229	1,963,219	205,323,714	(3,797,313)	201,526,401

(a) See “TAXING PROCEDURES.”

Principal Taxpayers

The following table represents the ten principal taxpayers and their taxable appraised value as a percentage of the 2025 Certified Taxable Assessed Valuation of \$201,526,401. This represents certified ownership as of January 1, 2025. An accurate principal taxpayer list related to the 2026 Preliminary Taxable Assessed Valuation of \$199,452,086, subject to review and downward revision prior to certification, is not available as of the date hereof.

Taxpayer	2025 Certified Taxable Assessed Valuation	% of 2025 Certified Taxable Assessed Valuation
Upward America Central Property Owner LP (a)	\$ 42,539,458	21.11%
FKH SFR Propco K LP (b)	5,207,909	2.58%
Friendswood Development Company (c)	1,194,754	0.59%
LJK Construction & Remolding LLC	927,003	0.46%
Individual	814,065	0.40%
Individual	809,887	0.40%
Individual	777,373	0.39%
Individual	714,878	0.35%
Individual	601,890	0.30%
Individual	595,771	0.30%
Total	\$ 54,182,988	26.89%

- (a) See “THE DEVELOPER—Principal Property Owner” and “RISK FACTORS—Dependence on Principal Taxpayers” and “RISK FACTORS—Rental Homes.”
- (b) See “RISK FACTORS—Rental Homes.”
- (c) See “THE DISTRICT” and “THE DEVELOPER.”

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet average annual and maximum debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District’s tax base occurred beyond the 2026 Preliminary Taxable Assessed Valuation of \$199,452,086, which is subject to review and downward revision prior to certification. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, and the sale of no additional bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Average Annual Debt Service Requirement (2027-2049).....	\$1,757,122
\$0.92 Tax Rate of 2025 Certified Taxable Assessed Valuation	\$1,761,341
\$0.93 Tax Rate on 2026 Preliminary Taxable Assessed Valuation.....	\$1,762,159
Maximum Annual Debt Service Requirement (2047).....	\$1,808,853
\$0.95 Tax Rate of 2025 Certified Taxable Assessed Valuation	\$1,818,776
\$0.96 Tax Rate on 2026 Preliminary Taxable Assessed Valuation.....	\$1,819,003

No representation or suggestion is made that the 2026 Preliminary Taxable Assessed Valuation, subject to review and downward revision prior to certification, 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

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

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 an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units within Harris County, including the District. Such appraisal values are subject to review and change by the Harris Central Appraisal Review Board (the “Appraisal Review Board”).

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, as well as mobile homes with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. Beginning with the 2026 tax year., all intangible personal property is exempt from State taxation. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a residence homestead exemption equal to exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or 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. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year but must be adopted by August 1. The District currently does not grant a homestead exemption. See "TAX DATA."

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit 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.

Tax Abatement

Harris County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County or the City of Houston (if it were to annex the District), under certain circumstances, discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to a cumulative 10 percent annual increase regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its 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. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land, and timberland.

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

Unless extended by the Legislature, through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,320,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

Disaster Exemption

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 (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely 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. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2026 tax year, the Board designated the District as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes". In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS—Tax Collection Limitations and Foreclosure Remedies."

RISK FACTORS

General

The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, 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 of 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" herein.

Rental Homes

A portion of the homes constructed in Becker Fields Sections One through Three (approximately 169 lots) are owned and leased by Upward America Central REIT LP, a Delaware limited partnership ("Upward") as rental properties. It is anticipated that Upward will continue to own and lease all of the rental homes (169 lots) and will continue to be a principal taxpayer. This is expected to result in a longer-term concentration of assessed valuation in a single property owner than would ordinarily be experienced in a development where lots and homes are developed and transferred to homebuilders or individual homeowners. On the 2025 certified tax roll, such taxpayer represents a total of \$42,539,458 or 21.11% of the of the 2025 Certified Taxable Assessed Valuation of \$201,526,401. In addition, FKH SFR Propco K LP owns approximately 21 rental properties within the District. No information is available from the Appraisal District related to the 2026 Preliminary Taxable Assessed Valuation of \$199,452,086, which is subject to review and downward revision prior to certification, for Upward's property ownership within the District. See "TAX DATA—Principal Taxpayers."

Upward, as the owner of the rental homes in Becker Fields Sections One through Three is responsible for the payment of property taxes, maintenance of the homes and the landscape maintenance of the front yards. The ability of Upward or another ultimate owner of the rental homes to lease the rental properties may affect their ability to maintain the properties and the taxable assessed valuation of the properties. Additionally, the failure of Upward or another ultimate owner of the rental homes to make full and timely payments of taxes levied against the rental home property by the District and similar taxing authorities could have a material adverse effect on the District's ability to pay debt service on the Bonds.

Dependence on Principal Taxpayers

The ten principal taxpayers in the District represent \$54,182,988 or 26.89% of the 2025 Certified Taxable Assessed Valuation (\$201,526,401) within the District, which represents ownership as of January 1, 2025. The largest taxpayer, Upward America Central Property Owner LP, represents approximately 21.11% (\$42,539,458) of the 2025 Certified Taxable Assessed Valuation (\$201,526,401). See “THE DEVELOPER—Principal Property Owner” and “TAX DATA—Principal Taxpayers.” An accurate principal taxpayer list related to the 2026 Preliminary Taxable Assessed Valuation of \$199,452,086, which is subject to review and downward revision prior to certification, is not available. The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Debt Service Funds or any other funds to allow for any such delinquencies. 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.

Potential Effects of Oil Price Fluctuations on the Houston Area

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

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 man-made drainage (canals or channels) systems downstream.

Severe Weather

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.

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.

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 on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See “THE SYSTEM.”

Possible Impact on District Tax Rate

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 2026 Preliminary Taxable Assessed Valuation of \$199,452,086, which is subject to review and downward revision prior to certification. After issuance of the Bonds, the maximum debt service requirement will be \$1,808,853 (2047), and the average annual debt service requirement will be \$1,757,122 (2027-2049 inclusive). Assuming no increase or decrease from the 2026 Preliminary Taxable Assessed Valuation of \$199,452,086, which is subject to review and downward revision prior to certification, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.96 and \$0.93 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, 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 2026 Preliminary Taxable Assessed Valuation, which is subject to review and downward revision prior to certification, 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” and “TAX DATA—Tax Adequacy for Debt Service.”

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.

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 has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. After reimbursements with proceeds of the Bonds, the District will continue to owe the Developer approximately \$7,927,206 (estimate as of May 19, 2026) plus interest for advances made for engineering and construction of water, wastewater, drainage, road and park facilities, which will be financed with future bond issues. A total of \$40,000,000 principal amount of unlimited tax bonds for the purpose of financing road facilities, \$16,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for road facilities, \$255,810,000 principal amount of unlimited tax bonds for financing water, wastewater and drainage facilities, \$102,325,000 amount of unlimited tax bonds for refunding bonds issued for water, wastewater and drainage facilities, \$20,410,000 principal amount of unlimited tax bonds for financing park and recreational facilities and \$8,165,000 principal amount of unlimited tax bonds for refunding bonds issued for park and recreational facilities have been authorized by the District's voters. After issuance of the Bonds, \$34,900,000 principal amount of road bonds and \$233,970,000 principal amount of the water, wastewater and drainage bonds will remain authorized but unissued.

In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The District is authorized to issue bonds to refund or redeem its outstanding debt. 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. The issuance of bonds for water, wastewater and drainage facilities and park and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds, but the issuance of road bonds is not. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt." 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.

Environmental Regulation and Air Quality

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

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

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

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

The HGB Area is currently designated as a “severe” 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 “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on August 14, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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 “water of the United States” under the CWA to conform with the Supreme Court’s decision.

While the *Sackett* decision 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.

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.

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.

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.”

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the “Policy”) to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following risk factors:

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 Underwriter 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.

Cybersecurity

The District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach, there could be a material adverse effect on the District's finances. Insurance to protect against such breaches is limited.

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to (i) the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from a continuing, direct annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District, and (ii) the legal opinion of Bond Counsel, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. Bond Counsel's opinion also will address the matters described below under "Tax Exemption." The legal opinion of Bond Counsel will be printed on the Bonds. Such opinion will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

In addition to serving as Bond Counsel, Coats Rose, P.C. also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge of the certifying officers, threatened against the District contesting or attacking the Bonds or the Bond Order; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the Bond Order, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

No Material Adverse Change

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

Tax Exemption

On the date of initial delivery of the Bonds, Coats Rose, P.C., Houston, Texas, 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, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986 (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations, 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 Code (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering such opinion, Bond Counsel will rely upon representations and certifications of the District made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Bonds and certain other funds and will assume continuing compliance by the District with the representations and warranties in and covenants of the Bond Order subsequent to the issuance of the Bonds. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of issuance of the Bonds.

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

Tax Accounting Treatment of Discount and Premium on Certain Bonds

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

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

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

The initial public offering price of certain Bonds (the “Premium Bonds”) may be greater than the amount payable on such Bonds at maturity. 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 state and local tax consequences of owning Premium Bonds.

Qualified Tax-Exempt Obligations

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

The District will designate the Bonds as “qualified tax-exempt obligations” and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2026 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2026.

Notwithstanding this exception, financial institutions acquiring the Bonds will be subject to a twenty percent (20%) disallowance of allocable interest expense.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made.

The District has submitted applications to municipal bond insurers for a contract for municipal bond insurance on the Bonds. If qualified, purchase of such insurance will be available at the option of the Underwriter and at the Underwriter's expense. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance." See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

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 such sources, and its inclusion herein is not to be construed as a representation on the part of the District to such effect except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, orders, 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, 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.

Bond Counsel

Coats Rose, P.C. is employed as Bond Counsel for the District and has reviewed the information appearing in this OFFICIAL STATEMENT under the captions "THE BONDS," "THE DISTRICT-General," "TAXING PROCEDURES," "LEGAL MATTERS," AND "CONTINUING DISCLOSURE OF INFORMATION." Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this OFFICIAL STATEMENT nor 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 the limited participation of such firm 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.

Consultants

In approving this OFFICIAL STATEMENT, the District has relied upon the following consultants that have provided information used herein.

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," "THE ROAD SYSTEM" and "THE SYSTEM" has been provided by Pape-Dawson Engineers, 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 May 31, 2025, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Tax Appraisal and Collections: The Harris Central Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Assessments of the Southwest, Inc. and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

Bookkeeper: The information related to the unaudited summary of the District's General Operating Fund as it appears in "THE SYSTEM" has been provided from records of L&S District Services and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal 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 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 ultimate customers.

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 certification, the official executing this OFFICIAL STATEMENT 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 financial information and operating data annually to the MSRB through EMMA. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "THE SYSTEM—Waterworks and Sewer System Operating Statement," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," except for "Estimated Overlapping Debt," "TAX DATA," and in APPENDIX A (Independent Auditor's Report and Financial Statements of the District and Supplemental Schedules). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2026. Any financial statements so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable year to the MSRB within such six-month period and audited financial statements when the audit report becomes available.

The District's current fiscal year end is May 31. Accordingly, it must provide updated information by November 30 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 specified 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 status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person 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 an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, 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 within the meaning of the Rule, 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 the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “material” and “financial obligation” when used in this paragraph shall have the meaning ascribed to it 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, operational data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from 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 its Electronic Municipal Market Access 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 registered or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

Due to an administrative oversight, the District failed to timely file its fiscal year end 2023 audit and financial and operating data. As of this date, all required information has been filed and the District has instituted procedures to ensure timely filing of all required information. The District timely filed its annual report for fiscal year 2025 and subsequently voluntarily updated certain supplemental engineering information included in such filing. The information required to be provided pursuant to the District’s continuing disclosure undertaking was timely filed. Other than the event described above, 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 APPENDIX 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.

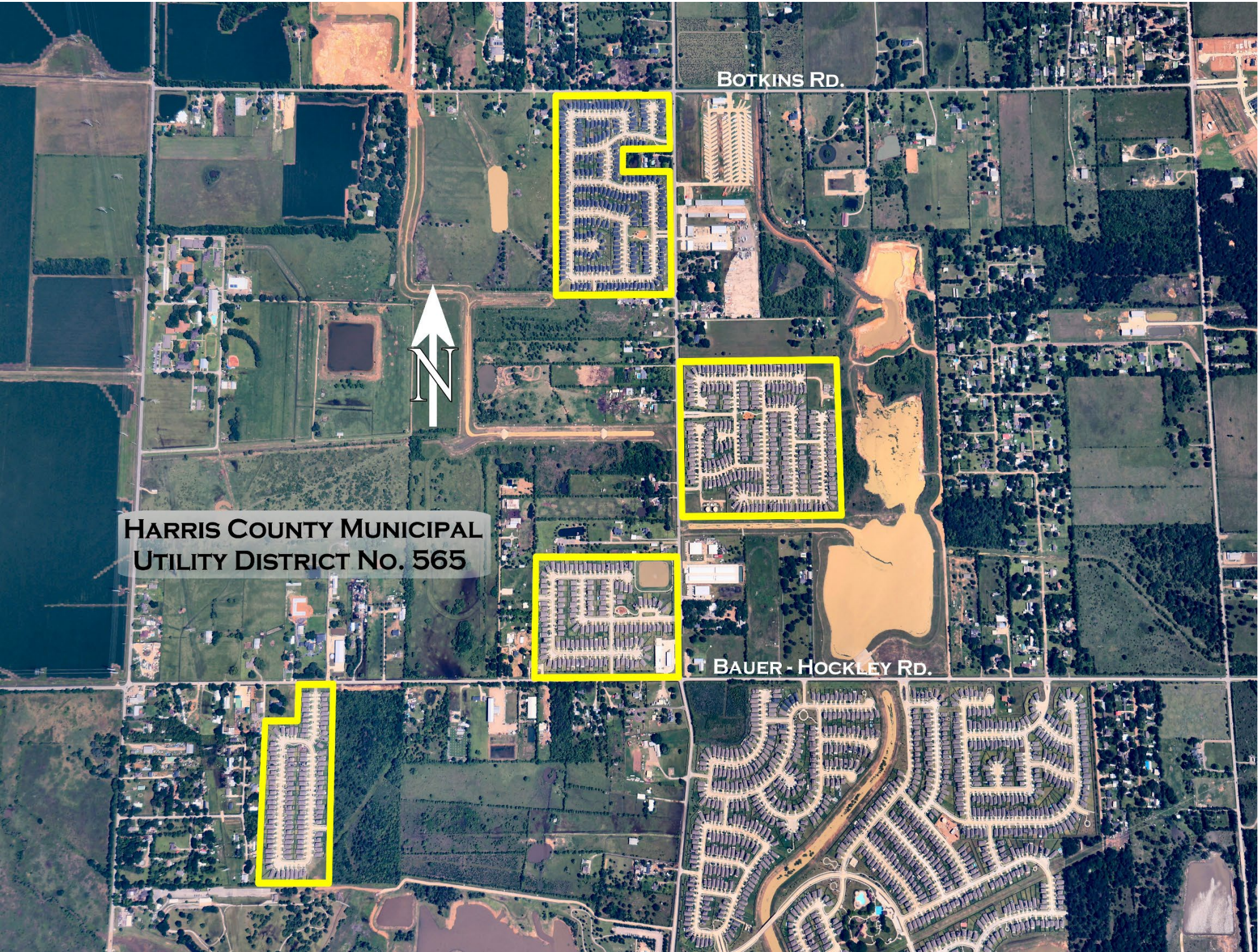
This OFFICIAL STATEMENT was approved by the Board of Directors of Harris County Municipal Utility District No. 565, as of the date shown on the cover page.

/s/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

AERIAL LOCATION MAP
(Approximate Boundaries as of May 2026)



BOTKINS RD.

HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT No. 565

BAUER - HOCKLEY RD.

PHOTOGRAPHS OF THE DISTRICT
(Taken May 2026)













APPENDIX A


Independent Auditor's Report and Financial Statements of the District for the fiscal year ended May 31, 2025



**Harris County Municipal
Utility District No. 565
Harris County, Texas**

**Independent Auditor's Report, Financial Statements,
and Supplementary Information**

May 31, 2025



Harris County Municipal Utility District No. 565
Contents
May 31, 2025

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Position and Governmental Funds Balance Sheet.....	8
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances.....	10
Notes to Financial Statements	11
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	23
Notes to Required Supplementary Information.....	24
Supplementary Information	
Other Schedules Included Within This Report.....	25
Schedule of Services and Rates.....	26
Schedule of General Fund Expenditures	27
Schedule of Temporary Investments	28
Analysis of Taxes Levied and Receivable	29
Schedules of Long-Term Debt Service Requirements by Years	31
Changes in Long-Term Bonded Debt	36
Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund	37
Board Members, Key Personnel, and Consultants	39

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 565
Harris County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 565 (District), as of and for the year ended May 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of May 31, 2025, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 these 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 12 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, as listed in the table of contents, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

Houston, Texas
November 20, 2025

**Harris County Municipal Utility District No. 565
Management's Discussion and Analysis
Year Ended May 31, 2025**

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and by the District's state oversight agency, the Texas Commission on Environmental Quality (Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer, and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position, and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

**Harris County Municipal Utility District No. 565
Management’s Discussion and Analysis
May 31, 2025**

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer, and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund’s assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year’s activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Financial Analysis of the District as a Whole

The District’s overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 3,353,135	\$ 3,218,724
Capital and lease assets	<u>20,361,989</u>	<u>18,601,395</u>
Total assets	<u>\$ 23,715,124</u>	<u>\$ 21,820,119</u>
Long-term liabilities	\$ 31,610,710	\$ 29,891,673
Other liabilities	<u>464,142</u>	<u>453,611</u>
Total liabilities	<u>32,074,852</u>	<u>30,345,284</u>
Net position		
Net investment in capital assets	(5,067,239)	(4,618,388)
Restricted	1,152,944	947,258
Unrestricted	<u>(4,445,433)</u>	<u>(4,854,035)</u>
Total net position	<u>\$ (8,359,728)</u>	<u>\$ (8,525,165)</u>

**Harris County Municipal Utility District No. 565
Management’s Discussion and Analysis
May 31, 2025**

The total net position of the District increased by \$165,437, or about 2%. The majority of the increase in net position is related to tax revenues intended to pay principal on the District’s bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At May 31, 2025, the net investment in capital assets was \$(5,067,239). This amount was negative because not all expenditures from long-term debt were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most road facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District.

Summary of Changes in Net Position

	<u>2025</u>	<u>2024</u>
Revenues		
Property taxes	\$ 2,424,994	\$ 2,175,687
Charges for services	881,005	863,505
Other revenues	175,892	318,631
	<u>3,481,891</u>	<u>3,357,823</u>
Total revenues		
Expenses		
Services	1,159,254	1,302,266
Conveyance of capital assets	-	974,738
Depreciation and amortization	684,954	627,678
Debt service	1,472,246	1,258,294
	<u>3,316,454</u>	<u>4,162,976</u>
Total expenses		
Change in net position	165,437	(805,153)
Net position, beginning of year	<u>(8,525,165)</u>	<u>(7,720,012)</u>
Net position, end of year	<u>\$ (8,359,728)</u>	<u>\$ (8,525,165)</u>

Financial Analysis of the District’s Fund

The District’s combined fund balances as of the end of the fiscal year ended May 31, 2025 were \$3,191,835 , an increase of \$171,258 from the prior year.

The general fund’s fund balance increased by \$412,379 primarily due to property tax and service revenues and investment income exceeding service operations and lease payments expenditures.

The debt service fund’s fund balance increased by \$63,648 due to property tax revenues, investment income, and proceeds received from the sale of the Series 2024 bonds exceeding bond principal and interest requirements.

The capital projects fund’s fund balance decreased by \$304,769 due to capital outlay expenditures and debt issuance costs being greater than net proceeds received from the sale of the Series 2024 bonds.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due regional water fee revenues and related expenditures, and tap connection

**Harris County Municipal Utility District No. 565
Management's Discussion and Analysis
May 31, 2025**

and inspection fees revenues and repairs and maintenance expenditures being lower to than anticipated as well as sewer service revenues and investment income being higher than anticipated. The fund balance as of May 31, 2025 was expected to be \$1,671,772, and the actual end-of-year fund balance was \$1,758,844.

Capital and Lease Assets and Related Debt

Capital and Lease Assets

Capital and lease assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital and Lease Assets (Net of Accumulated Depreciation)

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 5,670,541	\$ 5,670,541
Construction in progress	193,635	193,635
Water facilities	4,572,675	3,792,466
Wastewater facilities	5,165,839	4,637,491
Drainage facilities	4,304,099	3,569,312
Lease assets – equipment	455,200	737,950
	<u>\$ 20,361,989</u>	<u>\$ 18,601,395</u>

During the current year, additions to capital and lease assets were as follows:

Water, sewer and drainage facilities to serve Becker Landing, Section 1	\$ 2,407,860
Motors at blower Nos. 1 and 2	<u>37,688</u>
Total additions to capital and lease assets	<u>\$ 2,445,548</u>

The developer within the District has constructed facilities on behalf of the District under the terms of contracts with the District. The District has agreed to reimburse the cost of these facilities, plus interest, from the proceeds of future bond issues, subject to the approval of the Commission, as applicable, and the terms of the contracts with the developer. As of May 31, 2025, a liability for developer-constructed capital assets of \$7,422,540 was recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended May 31, 2025 are summarized as follows:

Long-term debt payable, beginning of year, as restated	\$ 29,891,673
Increases in long-term debt	7,071,541
Decreases in long-term debt	<u>(5,352,504)</u>
Long-term debt payable, end of year	<u>\$ 31,610,710</u>

**Harris County Municipal Utility District No. 565
Management's Discussion and Analysis
May 31, 2025**

At May 31, 2025, the District had \$233,970,000 of unlimited tax bonds authorized, but unissued, for the purpose of acquiring, constructing, and improving the water, sanitary sewer, and drainage systems within the District; \$20,410,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing park and recreational facilities; and \$37,000,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing roads.

The District's bonds do not carry an underlying rating. The Series 2022, Road Series 2023, and Series 2024 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2023 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty, Inc.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Contingencies

The developer of the District is constructing facilities on behalf of the District within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales to the extent approved by the Commission, as applicable. The District's engineer has stated that current construction amounts are approximately \$1,038,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Harris County Municipal Utility District No. 565
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets						
Cash	\$ 100,866	\$ 46,748	66,258	\$ 213,872	\$ -	\$ 213,872
Short-term investments	1,641,722	1,410,185	-	3,051,907	-	3,051,907
Receivables						
Property taxes	6,417	11,933	-	18,350	-	18,350
Service accounts	69,006	-	-	69,006	-	69,006
Interfund receivables	90,200	-	-	90,200	(90,200)	-
Prepaid expenditures	40,100	-	-	40,100	(40,100)	-
Capital and lease assets (net of accumulated depreciation and amortization)						
Land and improvements	-	-	-	-	5,670,541	5,670,541
Construction in progress	-	-	-	-	193,635	193,635
Infrastructure	-	-	-	-	14,042,613	14,042,613
Lease assets	-	-	-	-	455,200	455,200
Total Assets	<u>\$ 1,948,311</u>	<u>1,468,866</u>	<u>\$ 66,258</u>	<u>\$ 3,483,435</u>	<u>\$ 20,231,689</u>	<u>\$ 23,715,124</u>

Harris County Municipal Utility District No. 565
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2025

(Continued)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Liabilities						
Accounts payable	\$ 85,194	\$ -	\$ -	\$ 85,194	\$ -	\$ 85,194
Accrued interest payable	-	-	-	-	281,092	281,092
Customer deposits	97,856	-	-	97,856	-	97,856
Interfund payables	-	23,942	66,258	90,200	(90,200)	-
Long-term liabilities						
Due within one year	-	-	-	-	980,874	980,874
Due after one year	-	-	-	-	30,629,836	30,629,836
Total Liabilities	<u>183,050</u>	<u>23,942</u>	<u>66,258</u>	<u>273,250</u>	<u>31,801,602</u>	<u>32,074,852</u>
Deferred Inflows of Resources						
Deferred property tax revenues	6,417	11,933	-	18,350	(18,350)	-
Fund Balances/Net Position						
Fund balances						
Nonspendable, prepaid expenditures	40,100	-	-	40,100	(40,100)	-
Restricted						
Unlimited tax bonds	-	1,432,991	-	1,432,991	(1,432,991)	-
Unassigned	1,718,744	-	-	1,718,744	(1,718,744)	-
Total Fund Balances	<u>1,758,844</u>	<u>1,432,991</u>	<u>-</u>	<u>3,191,835</u>	<u>(3,191,835)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,948,311</u>	<u>\$ 1,468,866</u>	<u>\$ 66,258</u>	<u>\$ 3,483,435</u>		
Net position						
Net investment in capital assets					(5,067,239)	(5,067,239)
Restricted for debt service					1,152,944	1,152,944
Unrestricted					(4,445,433)	(4,445,433)
Total net position					<u>\$ (8,359,728)</u>	<u>\$ (8,359,728)</u>

Harris County Municipal Utility District No. 565
Statement of Activities and Governmental Funds Revenues,
Expenditures, and Changes in Fund Balances
Year Ended May 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 838,464	\$ 1,589,917	\$ -	\$ 2,428,381	\$ (3,387)	\$ 2,424,994
Water service	204,749	-	-	204,749	-	204,749
Sewer service	479,225	-	-	479,225	-	479,225
Regional water fee	197,031	-	-	197,031	-	197,031
Penalty and interest	14,389	7,429	-	21,818	-	21,818
Tap connection and inspection fees	27,768	-	-	27,768	-	27,768
Investment income	54,190	45,683	9,160	109,033	-	109,033
Other income	-	17,273	-	17,273	-	17,273
Total Revenues	1,815,816	1,660,302	9,160	3,485,278	(3,387)	3,481,891
Expenditures/Expenses						
Service operations						
Regional water fee	177,898	-	-	177,898	-	177,898
Professional fees	95,032	2,738	-	97,770	-	97,770
Contracted services	329,392	37,275	-	366,667	-	366,667
Utilities	101,874	-	-	101,874	-	101,874
Repairs and maintenance	365,192	-	-	365,192	-	365,192
Other expenditures	39,201	6,122	22	45,345	-	45,345
Tap connections	4,508	-	-	4,508	-	4,508
Capital outlay	38,865	-	4,437,866	4,476,731	(4,476,731)	-
Depreciation and amortization	-	-	-	-	684,954	684,954
Debt service						
Principal retirement	-	630,000	-	630,000	(630,000)	-
Interest and fees	-	1,029,400	-	1,029,400	139,630	1,169,030
Lease payments	240,600	-	-	240,600	(240,600)	-
Debt issuance costs	10,875	-	292,341	303,216	-	303,216
Total Expenditures/Expenses	1,403,437	1,705,535	4,730,229	7,839,201	(4,522,747)	3,316,454
Excess (Deficiency) of Revenues Over Expenditures	412,379	(45,233)	(4,721,069)	(4,353,923)	4,519,360	
Other Financing Sources (Uses)						
General obligation bonds issued	-	108,881	4,691,119	4,800,000	(4,800,000)	
Discount on debt issued	-	-	(136,319)	(136,319)	136,319	
Repayment of developer advances	-	-	(138,500)	(138,500)	138,500	
Total Other Financing Sources	-	108,881	4,416,300	4,525,181	(4,525,181)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	412,379	63,648	(304,769)	171,258	(171,258)	
Change in Net Position					165,437	165,437
Fund Balances/Net Position						
Beginning of year	1,346,465	1,369,343	304,769	3,020,577	-	(8,525,165)
End of year	<u>\$ 1,758,844</u>	<u>\$ 1,432,991</u>	<u>\$ -</u>	<u>\$ 3,191,835</u>	<u>\$ -</u>	<u>\$ (8,359,728)</u>

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Harris County Municipal Utility District No. 565 (District) was created pursuant to Section 52, Article III, and Section 59, Article XVI, of the Texas Constitution by an Act of the 86th Legislature of the State of Texas, effective June 10, 2019, codified as Chapter 8036, Texas Special District Local Laws Code (Act). The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (Commission). The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, drainage, park, road, and other facilities and to provide such facilities and services to the customers of the District. The District also provides solid waste disposal services.

The District is governed by a Board of Directors (Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-Wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage, and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services, and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District, which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services, and interest income.

Harris County Municipal Utility District No. 565
Notes to Financial Statements
May 31, 2025

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for principal and interest-related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures, and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services, and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period, and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of 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 amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

Investments in certificates of deposit, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes and penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

Harris County Municipal Utility District No. 565
Notes to Financial Statements
May 31, 2025

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended May 31, 2025 include collections during the current period or within 60 days of year-end related to the 2024 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended May 31, 2025, the 2024 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives is not capitalized.

Within Harris County, the county government assumes the maintenance and other incidents of ownership of most road facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District.

Capital assets are depreciated using the straight-line method over their estimated useful lives, as follows:

Water production and distribution facilities	10–45 years
Wastewater collection and treatment facilities	10–45 years
Drainage facilities	10–45 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts on bonds during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Harris County Municipal Utility District No. 565
Notes to Financial Statements
May 31, 2025

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital and lease assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 20,361,989
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	18,350
Prepaid lease expenditures are not reported as assets in the statement of net position.	(40,100)
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(281,092)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(31,610,710)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (11,551,563)</u></u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures, and changes in fund balances because:

Change in fund balances.	\$ 171,258
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlay expenditures exceeded depreciation and amortization expense in the current period.	3,791,777
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	138,500

Harris County Municipal Utility District No. 565
Notes to Financial Statements
May 31, 2025

Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	\$ 136,319
Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any affect on net position.	(4,170,000)
Governmental funds report lease payments as expenditures. For the statement of activities, these are reported as a reduction of lease liability and as interest expense.	240,600
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.	(3,387)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(139,630)</u>
Change in net position of governmental activities.	<u>\$ 165,437</u>

Note 2. Deposits, Investments, and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure a government’s deposits may not be returned to it. The District’s deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies, or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At May 31, 2025, none of the District’s bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies, and counties and other political subdivisions with an investment rating not less than “A,” insured or collateralized certificates of deposit, and certain bankers’ acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts, and investment pools.

Harris County Municipal Utility District No. 565
Notes to Financial Statements
May 31, 2025

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. The District's investments in TexPool are reported at amortized cost.

At May 31, 2025, the District had the following investments and maturities:

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 3,051,907	\$ 3,051,907	\$ -	\$ -	\$ -

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years, and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2025, the District's investments in TexPool were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at May 31, 2025 as follows:

Carrying value	
Deposits	\$ 213,872
Investments	<u>3,051,907</u>
Total	<u>\$ 3,265,779</u>

Investment Income

Investment income of \$109,033 for the year ended May 31, 2025 consisted of interest income.

Note 3. Capital and Lease Assets

A summary of changes in capital and lease assets for the year ended May 31, 2025 is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable			
Land and improvements	\$ 5,670,541	\$ -	\$ 5,670,541
Construction in progress	<u>193,635</u>	<u>-</u>	<u>193,635</u>
Total capital assets, non-depreciable	<u>5,864,176</u>	<u>-</u>	<u>5,864,176</u>

Harris County Municipal Utility District No. 565
Notes to Financial Statements
May 31, 2025

Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Balances, End of Year
Capital and lease assets, depreciable/amortizable			
Water production and distribution facilities	\$ 4,162,195	\$ 918,105	\$ 5,080,300
Wastewater collection and treatment facilities	4,986,516	689,443	5,675,959
Drainage facilities	3,764,063	838,000	4,602,063
Lease assets – equipment	1,257,831	-	1,257,831
Total capital and lease assets, depreciable/amortizable	<u>14,170,605</u>	<u>2,445,548</u>	<u>16,616,153</u>
Less accumulated depreciation and amortization			
Water production and distribution facilities	(369,729)	(137,896)	(507,625)
Wastewater collection and treatment facilities	(349,025)	(161,095)	(510,120)
Drainage facilities	(194,751)	(103,213)	(297,964)
Lease assets – equipment	(519,881)	(282,750)	(802,631)
Total accumulated depreciation and amortization	<u>(1,433,386)</u>	<u>(684,954)</u>	<u>(2,118,340)</u>
Total governmental activities, net	<u>\$ 18,601,395</u>	<u>\$ 1,760,594</u>	<u>\$ 20,361,989</u>

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended May 31, 2025 were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable					
General obligation bonds	\$ 19,935,000	\$ 4,800,000	\$ 630,000	\$ 24,105,000	\$ 545,000
Less discounts on bonds	580,998	136,319	14,572	702,745	-
	19,354,002	4,663,681	615,428	23,402,255	545,000
Developer advances	138,500	-	138,500	-	-
Due to developer	9,453,725	2,407,860	4,439,045	7,422,540	-
Lease liability	945,446	-	159,531	785,915	435,874
Total governmental activities long-term liabilities	<u>\$ 29,891,673</u>	<u>\$ 7,071,541</u>	<u>\$ 5,352,504</u>	<u>\$ 31,610,710</u>	<u>\$ 980,874</u>

Harris County Municipal Utility District No. 565
Notes to Financial Statements
May 31, 2025

General Obligation Bonds Issued

	<u>Series 2022</u>	<u>Series 2023</u>
Amounts outstanding, May 31, 2025	\$4,525,000	\$11,960,000
Interest rates	4.50% to 7.00%	4.00% to 6.50%
Maturity dates, serially beginning/ending	September 1, 2025/2047	September 1, 2025/2049
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2028	September 1, 2029
	<u>Road Series 2023</u>	<u>Series 2024</u>
Amounts outstanding, May 31, 2025	\$2,940,000	\$4,680,000
Interest rates	4.50% to 7.00%	4.00% to 6.50%
Maturity dates, serially beginning/ending	September 1, 2025/2049	March 1, 2026/2049
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2029	March 1, 2031

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at May 31, 2025:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 545,000	\$ 1,109,619	\$ 1,654,619
2027	565,000	1,072,794	1,637,794
2028	595,000	1,034,306	1,629,306
2029	630,000	993,644	1,623,644
2030	650,000	952,940	1,602,940
2031–2035	3,780,000	4,156,014	7,936,014
2036–2040	4,755,000	3,225,120	7,980,120
2041–2045	6,005,000	2,105,398	8,110,398
2046–2050	6,580,000	690,951	7,270,951
Total	<u>\$ 24,105,000</u>	<u>\$ 15,340,786</u>	<u>\$ 39,445,786</u>

The bonds are payable from proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Harris County Municipal Utility District No. 565
Notes to Financial Statements
May 31, 2025

Bonds voted	
Water, sewer, and drainage facilities	\$ 255,810,000
Park and recreational facilities	20,410,000
Road facilities	40,000,000
Refunding bonds voted	
Water, sewer, and drainage facilities	102,325,000
Park and recreational facilities	8,165,000
Road facilities	16,000,000
Bonds sold	
Water, sewer, and drainage facilities	21,840,000
Road facilities	3,000,000

Due to Developer

The developer within the District has constructed facilities on behalf of the District. The District has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission, as applicable, from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are \$7,422,540. These amounts have been recorded in the financial statements as long-term liabilities.

Lease Liability

The following schedule shows the annual lease requirements to pay principal and interest on the lease liabilities outstanding at May 31, 2025:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 435,874	\$ 41,426	\$ 477,300
2027	75,878	29,122	105,000
2028	62,868	22,132	85,000
2029	39,144	17,856	57,000
2030	42,910	14,090	57,000
2031	129,241	1,957	131,198
	<u>785,915</u>	<u>126,583</u>	<u>912,498</u>
Total	<u>\$ 785,915</u>	<u>\$ 126,583</u>	<u>\$ 912,498</u>

Note 5. Significant Bond Order and Commission Requirements

- (A) The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended May 31, 2025, the District levied an ad valorem debt service tax at the rate of \$0.8300 per \$100 of assessed valuation, which resulted in a tax levy of \$1,393,911 on the taxable valuation of \$167,941,059 for the 2024 tax year. The principal and interest requirements to be paid from the tax revenues and available resources are \$1,465,368, of which \$601,690 has been paid and \$863,678 is due September 1, 2025.
- (B) The Road Bond Order requires that the District levy and collect an ad valorem road debt service tax sufficient to pay interest and principal on road bonds when due. During the year ended May 31, 2025, the District levied an ad valorem road debt service tax at the rate of \$0.1200 per \$100 of assessed valuation, which resulted in a tax levy of \$201,529 on the taxable valuation of \$167,941,059 for the 2024 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$212,013, of which \$73,506 has been paid and \$138,507 is due September 1, 2025.
- (C) In accordance with the Series 2022, Series 2023, Road Series 2023, and Series 2024 Bond Orders, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. The bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year		\$	209,233
Additions – Interest appropriated from Series 2024 bond proceeds			108,881
Deductions – Appropriation from bond interest paid			
Series 2022	\$	9,500	
Series 2023		124,019	
Series 2023 Road		75,714	
Series 2024		97,993	
		307,226	
Bond interest reserve, end of year		\$	10,888

Note 6. Maintenance Taxes

At an election held November 5, 2019, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended May 31, 2025, the District levied an ad valorem maintenance tax at the rate of \$0.5000 per \$100 of assessed valuation, which resulted in a tax levy of \$839,706 on the taxable valuation of \$167,941,059 for the 2024 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held November 5, 2019, voters authorized a road facilities maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended May 31, 2025, the District did not levy an ad valorem road facilities maintenance tax.

At an election held November 5, 2019, voters authorized a park and recreational facilities maintenance tax not to exceed \$0.10 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended May 31, 2025, the District did not levy an ad valorem park and recreational facilities maintenance tax.

Note 7. Lease Agreements

On November 11, 2019, the District entered into an agreement to lease a 100,000 gallons-per-day wastewater treatment plant. Monthly lease payments of \$11,300 will commence on the first day of the month following substantial completion of the installation of the leased equipment and continue for a term of 60 months. After the initial term, the lease continues on a month-to-month basis with monthly payments of \$8,000. During the current year, the District recorded \$135,600 in expenditures related to the lease.

On May 25, 2022, the District entered into an agreement to lease an additional 100,000 gallons-per-day wastewater treatment plant. Monthly lease payments of \$8,750 will commence on the first day of the month following substantial completion of the installation of the leased equipment, which occurred in December 2022, and continue for a term of 60 months. After the initial term, the lease continues on a month-to-month basis with monthly payments of \$4,750. During the current year, the District recorded \$105,000 in expenditures related to the lease.

Note 8. Regional Water Authority

The District is within the boundaries of the North Harris County Regional Water Authority (Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of May 31, 2025, the Authority was billing the District \$2.60 per 1,000 gallons of water pumped from its wells. This amount is subject to future adjustments.

Note 9. 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. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 10. Contingencies

The developer of the District is constructing facilities on behalf of the District within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales to the extent approved by the Commission, as applicable. The District's engineer has stated that current construction amounts are approximately \$1,038,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Required Supplementary Information

**Harris County Municipal Utility District No. 565
 Budgetary Comparison Schedule – General Fund
 Year Ended May 31, 2025**

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Property taxes	\$ 800,000	\$ 838,464	\$ 38,464
Water service	202,000	204,749	2,749
Sewer service	409,000	479,225	70,225
Regional water fee	265,000	197,031	(67,969)
Penalty and interest	14,000	14,389	389
Tap connection and inspection fees	122,000	27,768	(94,232)
Investment income	10,000	54,190	44,190
Total Revenues	<u>1,822,000</u>	<u>1,815,816</u>	<u>(6,184)</u>
Expenditures			
Service operations			
Lease payments	240,600	240,600	-
Regional water fee	258,000	177,898	80,102
Professional fees	120,900	95,032	25,868
Contracted services	326,300	329,392	(3,092)
Utilities	102,705	101,874	831
Repairs and maintenance	411,880	365,192	46,688
Other expenditures	35,608	39,201	(3,593)
Tap connections	700	4,508	(3,808)
Capital outlay	-	38,865	(38,865)
Debt service, debt issuance costs	-	10,875	(10,875)
Total Expenditures	<u>1,496,693</u>	<u>1,403,437</u>	<u>93,256</u>
Excess of Revenues Over Expenditures	325,307	412,379	87,072
Fund Balance, Beginning of Year	<u>1,346,465</u>	<u>1,346,465</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,671,772</u>	<u>\$ 1,758,844</u>	<u>\$ 87,072</u>

Harris County Municipal Utility District No. 565
Notes to Required Supplementary Information
May 31, 2025

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during 2025.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Supplementary Information

Harris County Municipal Utility District No. 565
Other Schedules Included Within This Report
May 31, 2025

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 11–22
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedules of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund
- [X] Board Members, Key Personnel, and Consultants

Harris County Municipal Utility District No. 565
Schedule of Services and Rates
Year Ended May 31, 2025

1. Services provided by the District

- | | | |
|---|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input checked="" type="checkbox"/> Roads |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other _____ | | |

2. Retail service providers

a. Retail rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>	
Water:	\$ 18.00	5,000	N	\$ 1.75	5,001 to	10,000
				\$ 2.00	10,001 to	20,000
				\$ 2.50	20,001 to	No Limit
Wastewater:	\$ 51.19	0	Y			
Regional water fee:	\$ 2.86	1,000	N	\$ 2.86	1,001 to	No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):			Water	\$ 55.35	Wastewater	\$ 51.19

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	788	781	x1.0	781
1"	-	-	x2.5	-
1 1/2"	-	-	x5.0	-
2"	9	9	x8.0	72
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	797	790		853
Total wastewater	789	782	x1.0	782

3. Total water consumption (in thousands) during the fiscal year

Gallons pumped into the system:	63,237
Gallons billed to customers:	60,745
Water accountability ratio (gallons billed/gallons pumped):	96.06%

*"ESFC" means equivalent single-family connections

**Harris County Municipal Utility District No. 565
Schedule of General Fund Expenditures
Year Ended May 31, 2025**

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 19,000	
Legal	35,615	
Engineering	40,417	
Financial advisor	-	95,032
Purchased Services for Resale		
Bulk water and wastewater service purchases		-
Regional Water Fee		177,898
Contracted Services		
Bookkeeping	15,319	
General manager	-	
Appraisal district	-	
Tax collector	4,500	
Security	-	
Other contracted services	55,892	75,711
Utilities		101,874
Repairs and Maintenance		365,192
Administrative Expenditures		
Directors' fees	13,481	
Office supplies	-	
Insurance	14,083	
Other administrative expenditures	11,637	39,201
Capital Outlay		
Capitalized assets	37,688	
Expenditures not capitalized	1,177	38,865
Tap Connection Expenditures		4,508
Solid Waste Disposal		253,681
Fire Fighting		-
Parks and Recreation		-
Other Expenditures – Lease Payments		240,600
Other Expenditures – Debt Issuance Costs		10,875
Total Expenditures		<u>\$ 1,403,437</u>

Harris County Municipal Utility District No. 565
Schedule of Temporary Investments
May 31, 2025

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
General Fund				
TexPool	4.33%	Demand	\$ 1,641,722	\$ -
Debt Service Fund				
TexPool	4.33%	Demand	1,210,413	-
TexPool	4.33%	Demand	199,772	-
			<u>1,410,185</u>	<u>-</u>
Totals			<u>\$ 3,051,907</u>	<u>\$ -</u>

Harris County Municipal Utility District No. 565
Analysis of Taxes Levied and Receivable
Year Ended May 31, 2025

	<u>Maintenance Taxes</u>	<u>Road Debt Service Taxes</u>	<u>Debt Service Taxes</u>
Receivable, Beginning of Year	\$ 10,194	\$ 1,274	\$ 10,269
Additions and corrections to prior years' taxes	<u>(5,019)</u>	<u>(547)</u>	<u>(4,587)</u>
Adjusted Receivable, Beginning of Year	<u>5,175</u>	<u>727</u>	<u>5,682</u>
2024 Original Tax Levy	824,685	197,924	1,368,976
Additions and corrections	<u>15,021</u>	<u>3,605</u>	<u>24,935</u>
Adjusted tax levy	<u>839,706</u>	<u>201,529</u>	<u>1,393,911</u>
Total to be Accounted For	844,881	202,256	1,399,593
Tax collections: Current year	(833,625)	(200,070)	(1,383,817)
Prior years	<u>(4,839)</u>	<u>(685)</u>	<u>(5,344)</u>
Receivable, End of Year	<u>\$ 6,417</u>	<u>\$ 1,501</u>	<u>\$ 10,432</u>
Receivable, by Years			
2024	\$ 6,081	\$ 1,459	\$ 10,094
2023	<u>336</u>	<u>42</u>	<u>338</u>
Receivable, End of Year	<u>\$ 6,417</u>	<u>\$ 1,501</u>	<u>\$ 10,432</u>

**Harris County Municipal Utility District No. 565
 Analysis of Taxes Levied and Receivable
 Year Ended May 31, 2025**

(Continued)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Property Valuations				
Land	\$ 35,861,691	\$ 31,134,738	\$ 22,014,155	\$ 13,236,820
Improvements	134,523,259	120,255,814	33,667,845	-
Personal property	531,541	218,775	25,351	21,876
Exemptions	<u>(2,975,432)</u>	<u>(1,529,634)</u>	<u>(284,216)</u>	<u>-</u>
Total Property Valuations	<u>\$ 167,941,059</u>	<u>\$ 150,079,693</u>	<u>\$ 55,423,135</u>	<u>\$ 13,258,696</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.8300	\$ 0.6850	\$ 0.3100	\$ -
Road debt service tax rates	0.1200	0.0850	-	-
Maintenance tax rates*	<u>0.5000</u>	<u>0.6800</u>	<u>1.1400</u>	<u>1.4500</u>
Total Tax Rates per \$100 Valuation	<u>\$ 1.4500</u>	<u>\$ 1.4500</u>	<u>\$ 1.4500</u>	<u>\$ 1.4500</u>
Tax Levy	<u>\$ 2,435,146</u>	<u>\$ 2,176,156</u>	<u>\$ 803,636</u>	<u>\$ 192,251</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>99%</u>	<u>100%</u>	<u>100%</u>

*Maximum tax rate approved by voters: \$1.50 on November 5, 2019

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

Harris County Municipal Utility District No. 565
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2025

Due During Fiscal Years Ending May 31	Series 2022		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ 115,000	\$ 213,075	\$ 328,075
2027	120,000	204,850	324,850
2028	125,000	196,275	321,275
2029	135,000	187,175	322,175
2030	140,000	179,300	319,300
2031	145,000	172,887	317,887
2032	150,000	166,250	316,250
2033	160,000	159,275	319,275
2034	165,000	151,963	316,963
2035	175,000	144,312	319,312
2036	180,000	136,325	316,325
2037	190,000	128,000	318,000
2038	195,000	119,338	314,338
2039	205,000	110,337	315,337
2040	215,000	100,888	315,888
2041	225,000	90,987	315,987
2042	235,000	80,638	315,638
2043	245,000	69,837	314,837
2044	255,000	58,588	313,588
2045	270,000	46,775	316,775
2046	280,000	34,225	314,225
2047	295,000	20,928	315,928
2048	305,000	7,053	312,053
Totals	\$ 4,525,000	\$ 2,779,281	\$ 7,304,281

Harris County Municipal Utility District No. 565
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2025

(Continued)

Due During Fiscal Years Ending May 31	Series 2023		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ 260,000	\$ 541,844	\$ 801,844
2027	270,000	524,619	794,619
2028	285,000	506,581	791,581
2029	300,000	487,569	787,569
2030	310,000	467,744	777,744
2031	325,000	447,107	772,107
2032	345,000	425,331	770,331
2033	360,000	404,219	764,219
2034	375,000	386,818	761,818
2035	395,000	371,419	766,419
2036	415,000	355,219	770,219
2037	430,000	338,319	768,319
2038	455,000	320,618	775,618
2039	475,000	302,019	777,019
2040	495,000	282,619	777,619
2041	520,000	261,994	781,994
2042	545,000	240,028	785,028
2043	570,000	217,031	787,031
2044	600,000	192,525	792,525
2045	625,000	166,494	791,494
2046	655,000	139,293	794,293
2047	685,000	110,819	795,819
2048	720,000	80,963	800,963
2049	755,000	49,618	804,618
2050	790,000	16,788	806,788
Totals	<u>\$ 11,960,000</u>	<u>\$ 7,637,598</u>	<u>\$ 19,597,598</u>

**Harris County Municipal Utility District No. 565
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2025**

(Continued)

Due During Fiscal Years Ending May 31	Road Series 2023		Total
	Principal Due September 1	Interest Due March 1, September 1	
2026	\$ 65,000	\$ 144,737	\$ 209,737
2027	65,000	140,187	205,187
2028	70,000	135,462	205,462
2029	75,000	130,387	205,387
2030	75,000	125,184	200,184
2031	80,000	119,856	199,856
2032	85,000	114,184	199,184
2033	90,000	108,168	198,168
2034	95,000	102,938	197,938
2035	100,000	98,550	198,550
2036	100,000	94,050	194,050
2037	105,000	89,438	194,438
2038	110,000	84,600	194,600
2039	115,000	79,538	194,538
2040	120,000	74,250	194,250
2041	130,000	68,625	198,625
2042	135,000	62,662	197,662
2043	140,000	56,475	196,475
2044	145,000	50,063	195,063
2045	155,000	43,313	198,313
2046	160,000	36,225	196,225
2047	170,000	28,801	198,801
2048	175,000	21,038	196,038
2049	185,000	12,938	197,938
2050	195,000	4,388	199,388
Totals	\$ 2,940,000	\$ 2,026,057	\$ 4,966,057

Harris County Municipal Utility District No. 565
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2025

(Continued)

Due During Fiscal Years Ending May 31	Series 2024		Total
	Principal Due March 1,	Interest Due March 1, September 1	
2026	\$ 105,000	\$ 209,963	\$ 314,963
2027	110,000	203,138	313,138
2028	115,000	195,988	310,988
2029	120,000	188,513	308,513
2030	125,000	180,712	305,712
2031	135,000	172,587	307,587
2032	140,000	163,813	303,813
2033	145,000	154,712	299,712
2034	155,000	148,912	303,912
2035	160,000	142,713	302,713
2036	170,000	136,313	306,313
2037	180,000	129,512	309,512
2038	190,000	122,312	312,312
2039	200,000	114,713	314,713
2040	210,000	106,712	316,712
2041	220,000	98,313	318,313
2042	230,000	89,512	319,512
2043	240,000	80,313	320,313
2044	255,000	70,713	325,713
2045	265,000	60,512	325,512
2046	280,000	49,912	329,912
2047	295,000	38,362	333,362
2048	310,000	26,194	336,194
2049	325,000	13,406	338,406
Totals	<u>\$ 4,680,000</u>	<u>\$ 2,897,850</u>	<u>\$ 7,577,850</u>

Harris County Municipal Utility District No. 565
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2025

(Continued)

Due During Fiscal Years Ending May 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	\$ 545,000	\$ 1,109,619	\$ 1,654,619
2027	565,000	1,072,794	1,637,794
2028	595,000	1,034,306	1,629,306
2029	630,000	993,644	1,623,644
2030	650,000	952,940	1,602,940
2031	685,000	912,437	1,597,437
2032	720,000	869,578	1,589,578
2033	755,000	826,374	1,581,374
2034	790,000	790,631	1,580,631
2035	830,000	756,994	1,586,994
2036	865,000	721,907	1,586,907
2037	905,000	685,269	1,590,269
2038	950,000	646,868	1,596,868
2039	995,000	606,607	1,601,607
2040	1,040,000	564,469	1,604,469
2041	1,095,000	519,919	1,614,919
2042	1,145,000	472,840	1,617,840
2043	1,195,000	423,656	1,618,656
2044	1,255,000	371,889	1,626,889
2045	1,315,000	317,094	1,632,094
2046	1,375,000	259,655	1,634,655
2047	1,445,000	198,910	1,643,910
2048	1,510,000	135,248	1,645,248
2049	1,265,000	75,962	1,340,962
2050	985,000	21,176	1,006,176
Totals	\$ 24,105,000	\$ 15,340,786	\$ 39,445,786

Harris County Municipal Utility District No. 565
Changes in Long-Term Bonded Debt
Year Ended May 31, 2025

	Bond Issues				Totals
	Series 2022	Series 2023	Road Series 2023	Series 2024	
Interest rates	4.50% to 7.00%	4.00% to 6.50%	4.50% to 7.00%	4.00% to 6.50%	
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity dates	September 1, 2025/2047	September 1, 2025/2049	September 1, 2025/2049	March 1, 2026/2049	
Bonds outstanding, beginning of current year	\$ 4,635,000	\$ 12,300,000	\$ 3,000,000	\$ -	\$ 19,935,000
Bonds sold during current year	-	-	-	4,800,000	4,800,000
Retirements, principal	110,000	340,000	60,000	120,000	630,000
Bonds outstanding, end of current year	<u>\$ 4,525,000</u>	<u>\$ 11,960,000</u>	<u>\$ 2,940,000</u>	<u>\$ 4,680,000</u>	<u>\$ 24,105,000</u>
Interest paid during current year	<u>\$ 220,950</u>	<u>\$ 561,344</u>	<u>\$ 149,113</u>	<u>\$ 97,993</u>	<u>\$ 1,029,400</u>
Paying agent's name and address					
Series 2022	- The Bank of New York Mellon Trust Company, N.A., Houston, Texas				
Series 2023	- The Bank of New York Mellon Trust Company, N.A., Houston, Texas				
Series 2023 Road	- The Bank of New York Mellon Trust Company, N.A., Houston, Texas				
Series 2024	- The Bank of New York Mellon Trust Company, N.A., Houston, Texas				
Bond authority					
	Water, Sewer, and Drainage Bonds	Park and Recreational Bonds	Road Bonds	Refunding Bonds	
Amount authorized by voters	\$ 255,810,000	\$ 20,410,000	\$ 40,000,000	\$ 126,490,000	
Amount issued	<u>\$ 21,840,000</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ -</u>	
Remaining to be issued	<u>\$ 233,970,000</u>	<u>\$ 20,410,000</u>	<u>\$ 37,000,000</u>	<u>\$ 126,490,000</u>	
Debt service fund cash and temporary investment balances as of May 31, 2025:					<u>\$ 1,456,933</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:					<u>\$ 1,577,831</u>

Harris County Municipal Utility District No. 565
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended May 31,

	Amounts				
	2025	2024	2023	2022	2021
General Fund					
Revenues					
Property taxes	\$ 838,464	\$ 1,011,556	\$ 642,705	\$ 179,798	\$ 62,076
Water service	204,749	192,798	185,000	55,643	10,606
Sewer service	479,225	417,871	298,524	77,057	12,710
Regional water fee	197,031	252,836	292,389	54,120	12,348
Penalty and interest	14,389	12,065	14,915	2,368	315
Tap connection and inspection fees	27,768	245,597	447,763	576,105	114,831
Investment income	54,190	17,017	1,267	1,743	27
Total Revenues	1,815,816	2,149,740	1,882,563	946,834	212,913
Expenditures					
Service operations					
Regional water fee	177,898	243,827	288,130	78,623	12,439
Professional fees	95,032	140,249	94,172	114,781	67,033
Contracted services	329,392	292,585	260,570	107,561	36,493
Utilities	101,874	101,399	71,004	42,588	19,353
Repairs and maintenance	365,192	355,265	345,283	188,343	87,808
Other expenditures	39,201	31,686	23,172	21,871	15,521
Tap connections	4,508	99,381	177,028	236,624	48,344
Capital outlay	38,865	-	-	98,840	-
Debt service					
Debt issuance costs	10,875	-	-	79,200	-
Lease payments	240,600	240,600	179,350	135,600	113,000
Total Expenditures	1,403,437	1,504,992	1,438,709	1,104,031	399,991
Excess (Deficiency) of Revenues Over Expenditures	412,379	644,748	443,854	(157,197)	(187,078)
Other Financing Sources					
Interfund transfers in	-	-	102,994	-	-
Developer advances received	-	-	138,500	195,000	142,000
Total Other Financing Sources	-	-	241,494	195,000	142,000
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	412,379	644,748	685,348	37,803	(45,078)
Fund Balance (Deficit), Beginning of Year	1,346,465	701,717	16,369	(21,434)	23,644
Fund Balance (Deficit), End of Year	\$ 1,758,844	\$ 1,346,465	\$ 701,717	\$ 16,369	\$ (21,434)
Total Active Retail Water Connections	790	787	667	465	76
Total Active Retail Wastewater Connections	782	768	659	459	74

Percent of Fund Total Revenues

<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
46.2 %	47.1 %	34.1 %	19.0 %	29.2 %
11.3	9.0	9.8	5.9	4.9
26.4	19.4	15.9	8.1	6.0
10.9	11.8	15.5	5.7	5.8
0.8	0.5	0.8	0.3	0.2
1.5	11.4	23.8	60.8	53.9
2.9	0.8	0.1	0.2	0.0
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
9.8	11.3	15.3	8.3	5.8
5.2	6.5	5.0	12.1	31.5
18.1	13.6	13.9	11.4	17.1
5.6	4.7	3.8	4.5	9.1
20.1	16.6	18.3	19.9	41.2
2.2	1.5	1.2	2.3	7.3
0.3	4.6	9.4	25.0	22.7
2.1	-	-	10.4	-
0.6	-	-	8.4	-
13.3	11.2	9.5	14.3	53.1
<u>77.3</u>	<u>70.0</u>	<u>76.4</u>	<u>116.6</u>	<u>187.8</u>
<u><u>22.7 %</u></u>	<u><u>30.0 %</u></u>	<u><u>23.6 %</u></u>	<u><u>(16.6) %</u></u>	<u><u>(87.8) %</u></u>

Harris County Municipal Utility District No. 565
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Three Years Ended May 31,

	Amounts			Percent of Fund Total Revenues		
	2025	2024	2023	2025	2024	2023
Debt Service Fund						
Revenues						
Property taxes	\$ 1,589,917	\$ 1,144,400	\$ 171,383	95.8 %	97.4 %	96.3 %
Penalty and interest	7,429	31,107	6,627	0.5	2.6	3.7
Investment income	45,683	-	-	2.7	-	-
Other income	17,273	-	-	1.0	-	-
Total Revenues	<u>1,660,302</u>	<u>1,175,507</u>	<u>178,010</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Expenditures						
Current						
Professional fees	2,738	214	1,010	0.2	0.0	0.6
Contracted services	37,275	32,462	20,021	2.2	2.8	11.3
Other expenditures	6,122	5,059	3,597	0.4	0.4	2.0
Debt service						
Principal retirement	630,000	105,000	-	37.9	8.9	-
Interest and fees	1,029,400	743,636	141,225	62.0	63.3	79.3
Total Expenditures	<u>1,705,535</u>	<u>886,371</u>	<u>165,853</u>	<u>102.7</u>	<u>75.4</u>	<u>93.2</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(45,233)</u>	<u>289,136</u>	<u>12,157</u>	<u>(2.7) %</u>	<u>24.6 %</u>	<u>6.8 %</u>
Other Financing Sources (Uses)						
General obligation bonds issued	108,881	142,500	951,594			
Interfund transfers out	-	-	(26,044)			
Total Other Financing Sources	<u>108,881</u>	<u>142,500</u>	<u>925,550</u>			
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>63,648</u>	<u>431,636</u>	<u>937,707</u>			
Fund Balance, Beginning of Year	<u>1,369,343</u>	<u>937,707</u>	<u>-</u>			
Fund Balance, End of Year	<u>\$ 1,432,991</u>	<u>\$ 1,369,343</u>	<u>\$ 937,707</u>			

**Harris County Municipal Utility District No. 565
Board Members, Key Personnel, and Consultants
Year Ended May 31, 2025**

Complete District mailing address:	Harris County Municipal Utility District No. 565 c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, TX 77046
District business telephone number:	713.651.0111
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	November 2, 2023
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

<u>Board Members</u>	<u>Term of Office Elected & Expires</u>	<u>Fees*</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>
Taylor Lewis Gaver	Elected 05/24– 05/28	\$ 2,431	\$ -	President
Kevin Kulhanek	Elected 05/22– 05/26	2,431	677	Vice President
Kevin O'Kelley	Appointed 06/22– 05/26	2,652	262	Secretary
Ted Cashion	Elected 05/24– 05/28	2,873	139	Assistant Secretary
Jennie Mussler	Elected 05/24– 05/28	3,094	393	Assistant Secretary

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

**Harris County Municipal Utility District No. 565
Board Members, Key Personnel, and Consultants
Year Ended May 31, 2025**

(Continued)

<u>Consultants</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title</u>
B&A Municipal Tax Service, LLC	06/20/19	\$ 23,749	Tax Assessor/ Collector
Coats Rose, P.C.	06/20/19	35,615 137,938	General Counsel Bond Counsel
Forvis Mazars, LLP	05/28/21	31,400	Auditor
Harris Central Appraisal District	Legislative Action	19,061	Appraiser
L&S District Services, LLC	06/20/19	16,519	Bookkeeper
Masterson Advisors, LLC	06/20/19	103,553	Financial Advisor
Pape-Dawson Engineers	06/20/19	45,353	Engineer
Si Environmental, LLC	07/30/19	295,790	Operator
<u>Investment Officer</u>			
Debra Loggins	06/20/19	N/A	Bookkeeper