OFFICIAL STATEMENT DATED JUNE 30, 2026

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS (I) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (II) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" HEREIN, INCLUDING INFORMATION REGARDING POTENTIAL ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-Book-Entry Only

Insured Rating (BAM): S&P "AA" (stable outlook)
Underlying Rating: Moody's "A1"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

$4,000,000

PECAN GROVE MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Fort Bend County)
UNLIMITED TAX BONDS
SERIES 2026

The bonds described above (the "Bonds") are obligations solely of Pecan Grove Municipal Utility District (the "District") and are not obligations of the State of Texas, Fort Bend County, the City of Richmond or any entity other than the District.

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 against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

Dated Date: 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/registrar, initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from the date of delivery (expected on or about July 30, 2026) (the "Date of Delivery"), and is payable each March 1 and September 1,commencing March 1, 2027, 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 in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the Registered Owner of the Bonds, 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."

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

MATURITY SCHEDULE

Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2028	$ 225,000	5.00 %	2.70 %	705116 WF4	2037	220,000 (c)	3.00 %	3.80 %	705116 WQ0
2029	225,000	5.00	2.75	705116 WG2	2038	220,000 (c)	3.00	3.95	705116 WR8
2030	225,000	5.00	2.80	705116 WH0	2039	220,000 (c)	3.00	4.05	705116 WS6
2031	225,000	5.00	2.85	705116 WJ6	2040	220,000 (c)	3.00	4.13	705116 WT4
2032	225,000	5.00	2.95	705116 WK3	2041	220,000 (c)	3.00	4.20	705116 WU1
2033	225,000 (c)	4.00	3.10	705116 WL1	2042	220,000 (c)	4.00	3.92	705116 WV9
2034	225,000 (c)	4.00	3.20	705116 WM9	2043	220,000 (c)	4.00	4.00	705116 WW7
2035	225,000 (c)	3.00	3.50	705116 WN7	2044	220,000 (c)	4.00	4.06	705116 WX5
2036	220,000 (c)	3.00	3.65	705116 WP2	2045	220,000 (c)	4.00	4.12	705116 WY3

(a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter (as herein defined) 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 at maturity or to the first call date.
(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(c) Bonds maturing on and 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 the principal amount thereof plus plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the respective Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about July 30, 2026.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this OFFICIAL STATEMENT, and, if given or made, such other information or 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 Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027-7528 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."

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by Robert W. Baird & Co., Inc. (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 97.0118% of the principal amount thereof, which resulted in a net effective interest rate of 3.952715% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any 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 that stabilize or maintain the market prices of the Bonds at levels above those that 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 utility district 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 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...

Pecan Grove Municipal Utility District (the "District"), a political subdivision of the State of Texas created by order of the Texas Water Rights Commission, now the Texas Commission on Environmental Quality (the "TCEQ"), dated May 27, 1975, is located in Fort Bend County, approximately 24 miles southwest of the central business district of the City of Houston, Texas, three miles northeast of the City of Richmond (the "City"), and seven miles west of the City of Sugar Land, Texas. The District lies wholly within the City's extraterritorial jurisdiction and contains approximately 1,703 acres of land. See "THE DISTRICT" and "AERIAL PHOTOGRAPH."

Status of Development…

All land in the District, consisting of approximately 1,370 acres of residential development, 30 acres of multifamily apartments (580 units), 6 acres of townhomes (25 units), 247 acres of golf course, country club facilities and undevelopable property, 25 acres of commercial property, and 25 acres of school sites, is served by water, sanitary sewer and drainage facilities. The school sites are not subject to ad valorem taxation. Residential subdivisions within the boundaries of the District include Pecan Grove Plantation, The Grove, The Greens, Plantation Place, Pecan Lakes, and The Terrace at Pecan Grove. As of March 28, 2026, the District contained 4,392 occupied single-family residential connections and 27 vacant single-family residential connections. Based on the 2025 certified tax rolls of the District, the average house value is approximately $354,131.

In addition to the single-family residential development, the District contains a 580-unit apartment community (which is approximately 90% occupied according to property management), a 25 unit townhome complex, country club facilities (including a clubhouse, a 27-hole golf course, tennis courts and swimming pool), 32 commercial connections, including a day care center, a grocery store, several small shopping centers, and approximately 9 restaurants or other service establishments. The District also includes a church and two elementary schools which are not subject to ad-valorem taxation. The District provides out-of-District water service to a middle school and water and sewer service to a third elementary school. The District owns three parcels of land being used for park purposes. There are also multiple small parks owned by area homeowner associations. See "THE DISTRICT—Status of Development."

In June 2024, the District purchased the real property of the Pecan Grove Planation Country Club, which includes the swimming pools, tennis courts, recreational workout facilities, golf course, country club building, driving ranges, cart storage facilities, cart paths and parking areas on approximately 211 acres within the District. The District has entered into one or more service agreements with third-parties to maintain and operate the club and golf course facilities. The District maintains and operates the swimming pools, tennis courts, recreational workout facilities, associated walkways and parking facilities. The District has developed a budget for the ongoing and regular expenses for these facilities.

THE BONDS

Description...

The $4,000,000 Unlimited Tax Bonds, Series 2026 (the "Bonds") are being issued as fully registered bonds pursuant to a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the District's Board of Directors (the "Board"). The Bonds are scheduled to mature serially on March 1 in each of the years 2028 through 2045, both inclusive, in the principal amounts and on the dates shown on the cover page hereof. The Bonds will be issued in denominations of $5,000 or integral multiples of $5,000. Interest on the Bonds accrues from the Date of Delivery, and is payable March 1, 2027, and each September 1 and March 1 thereafter, until the earlier of maturity or prior redemption. See "THE BONDS."

Book-Entry-Only System…	The Depository Trust Company (defined as "DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM."
Redemption...	Bonds maturing on or after March 1, 2033 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on March 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
Use of Proceeds...	Proceeds of the Bonds will be used to pay for the construction costs and engineering fees shown herein under "THE SYSTEM—Use and Distribution of Bond Proceeds." In addition, Bond proceeds will be used to pay administrative costs and certain other costs related to the issuance of the Bonds. See "THE SYSTEM—Use and Distribution of Bond Proceeds."
Authority for Issuance...	At a bond election held within the District on May 4, 2019 (the "2019 Election"), the voters of the District authorized the issuance of a total of $33,600,000 principal amount of unlimited tax bonds for the purposes of improving water, sanitary sewer and drainage facilities (the "2019 Election"). The Bonds are being issued pursuant to such authorization and for the purposes described in "THE SYSTEM—Use and Distribution of Bond Proceeds." The Bonds are the third series of Bonds issued by the District pursuant to the 2019 Election, an Order of the TCEQ, the terms and conditions of the Bond Resolution (as defined herein), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas and the 2019 Election. See "THE BONDS—Authority for Issuance."
Source of Payment...	Principal of and interest on the Bonds and the Outstanding Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City, Fort Bend County, the State of Texas or any entity other than the District. See "THE BONDS—Source of Payment."
Payment Record...	The District has previously issued eighteen series of unlimited tax bonds and seven series of unlimited tax refunding bonds, of which the District has $48,885,000 principal amount of bonds outstanding (the "Outstanding Bonds") as of the date herof. The District has never defaulted on the debt service payments on the Outstanding Bonds. See "FINANCIAL STATEMENT—Outstanding Bonds."
Municipal Bond Rating and Municipal Bond Insurance...	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond insured rating of "AA" (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). Moody's Investors Service ("Moody's") has also assigned an underlying rating of "A1" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."
Qualified Tax-Exempt Obligations...	The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS—Qualified Tax-Exempt Obligations."
Bond Counsel...	Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS," and "TAX MATTERS."
Financial Advisor...	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."

Disclosure Counsel... McCall, Parkhurst & Horton L.L.P., Houston, Texas.

Paying Agent/Registrar... The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special INVESTMENT CONSIDERATIONS 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 “INVESTMENT CONSIDERATIONS.”

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2025 Certified Taxable Assessed Valuation	$1,601,129,981	(a)
2026 Preliminary Taxable Assessed Valuation	$1,639,498,872	(b)
Gross Direct Debt Outstanding (the Outstanding Bonds and the Bonds)	$ 52,885,000	(c)
Estimated Overlapping Debt	257,797,736	(d)
Gross Direct Debt and Estimated Overlapping Debt	$310,682,736	(d)
Ratios of Gross Direct Debt to:		
2025 Certified Taxable Assessed Valuation	3.30%	
2026 Preliminary Taxable Assessed Valuation	3.23%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2025 Certified Taxable Assessed Valuation	19.40%	
2026 Preliminary Taxable Assessed Valuation	18.95%	
Debt Service Funds Available as of May 26, 2026	$5,181,661	(e)
Operating Funds Available as of May 26, 2026	$8,760,259	
Capital Projects Funds Available as of May 26, 2026	$ 543,723	
2025 Debt Service Tax Rate	$0.260	
2025 Maintenance Tax Rate	0.365	
2025 Total Tax Rate	$0.625	
Average Annual Debt Service Requirement (2027-2045) of the Bonds and the Outstanding Bonds ("Average Requirement")	$3,195,902	(f)
Maximum Annual Debt Service Requirement (2028) of the Bonds and the Outstanding Bonds ("Maximum Requirement")	$4,895,081	(f)
Tax Rates Required to Pay Average Requirement (2027-2045) at a 95% Collection Rate		
Based upon 2025 Certified Taxable Assessed Valuation	$0.22	(g)
Based upon 2026 Preliminary Taxable Assessed Valuation	$0.21	(g)
Tax Rates Required to Pay Maximum Requirement (2028) at a 95% Collection Rate		
Based upon 2025 Certified Taxable Assessed Valuation	$0.33	(g)
Based upon 2026 Preliminary Taxable Assessed Valuation	$0.32	(g)
Status of Development as of March 28, 2026 (h):		
Single-family residential – completed and occupied	4,392	
Single-family residential – completed and unoccupied	27	
Multi-family (580 units)	1	
Townhomes (25 units)	1	
Schools	4	(i)
Commercial – In-District	24	
Commercial – Out-of-District	1	
Other (Irrigation, Rental, District, etc.)	105	
Total	4,555	

Area of District – 1,703 acres
Estimated 2026 Population – 16,620 (j)

(a) As certified by the Fort Bend 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 amount is subject to review and downward adjustment by the Appraisal District prior to certification. No tax will be levied on such amount until the valuation of all taxable property located within the District is certified by the Appraisal District, with such certification expecting to occur in the summer of 2026. See "TAXING PROCEDURES."
(c) After the issuance of the Bonds. See "FINANCIAL STATEMENT—Outstanding Bonds."
(d) See "ESTIMATED OVERLAPPING DEBT STATEMENT."
(e) Neither Texas law nor the Bond Resolution requires the District to maintain any particular balance in the 1991 Debt Service Fund.
(f) See "DEBT SERVICE REQUIREMENTS."
(g) See "TAX DATA—Tax Adequacy Debt Service" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rate."
(h) See "THE DISTRICT—Status of Development."
(i) Two of the schools are in the District and two of the schools are served by out-of-District service agreements.
(j) Based upon 3.5 persons per occupied single-family residence and townhome and 2 persons per apartment unit.

OFFICIAL STATEMENT

$4,000,000

PECAN GROVE MUNICIPAL UTILITY DISTRICT

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

UNLIMITED TAX BONDS
SERIES 2026

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Pecan Grove Municipal Utility District (the "District") of its $4,000,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"), a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District 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 Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

THE BONDS

Description

The Bonds will be dated July 1, 2026, with interest accruing from the Date of Delivery, payable each March 1 and September 1, beginning March 1, 2027 (each an "Interest Payment Date"), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of $5,000 or any integral multiple of $5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., in Houston, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. 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.

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 Resolution.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

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

Funds

In the Bond Resolution, the 1991 Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund.

Proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund, to pay the costs of acquiring or constructing District facilities, engineering fees and for paying the costs of issuing the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Resolution or ultimately transferred to the 1991 Debt Service Fund. See "THE SYSTEM—Use and Distribution of Bond Proceeds" for a more complete description of the use of Bond proceeds and the projects related thereto.

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 Resolution 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 any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than $5,000, a portion of such Bond may be redeemed, but only in integral multiples of $5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

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 less than all the Bonds outstanding 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 which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At a bond election held within the District on May 4, 2019 (the "2019 Election"), the voters of the District authorized the issuance of a total of $33,600,000 principal amount of unlimited tax bonds for the purposes of improving water, sanitary sewer and drainage facilities. The Bonds are being issued pursuant to such authorization and for the purposes described in "THE SYSTEM—Use and Distribution of Bond Proceeds."

The Bonds are issued by the District pursuant to an Order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of the State of Texas relating to the issuance of 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.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office 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 Resolution.

In the event the Book-Entry-Only System should be 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 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.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

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 bond. 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.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution 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.

Issuance of Additional Debt

After issuance of the Bonds, the District will have (i) $14,615,000 principal amount authorized but unissued unlimited tax bonds for the purposes of improving water, sanitary sewer and drainage facilities and for refunding purposes remaining from the 2019 Election and (ii) $4,265,000 principal amount of unlimited tax refunding bonds authorized but unissued for the purpose of refunding outstanding debt of the District remaining from a prior election. The Bond Resolution 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. See "INVESTMENT CONSIDERATIONS—Future Debt."

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. The Board has entered into fire protection services agreements with both the Pecan Grove Volunteer Fire Department and the City. These agreements establish a mandatory monthly fee, but do not require the levy of taxes or the issuance of bonds. The TCEQ has approved such agreements and fire plan. On September 30, 2025, voters of the District approved the fire plan and a mandatory monthly fee. Residents within the Pecan Grove Volunteer Fire Department service area currently pay a mandatory monthly fee of $29.06 per single-family connection and residents within the City's service area currently pay a mandatory monthly fee of $15.17 per single-family connection. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) authorization of an amended fire plan and authorizing bonds for such purpose by the qualified voters in the District; (c) approval of the amended fire plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas.

The District is authorized by statute to construct park and recreational facilities, including the issuing of bonds payable from taxes for such purpose. In addition, the District has prepared a detailed park plan, and the parks and recreational facilities bonds have been authorized by the qualified voters in the District. The principal amount of bonds sold by the District to construct park and recreational facilities is limited to one percent (1%) of the District's certified taxable assessed valuation, unless, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may not exceed an amount equal to three percent (3%) of the value of the taxable property in the District. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The Board has a park plan and operates several parks from water and sewer system revenues, but has not considered calling a park bond election at this time.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ or the Texas Legislature, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered acquiring "road powers" nor calling such an election at this time.

The Bond Resolution 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. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

Extraterritorial Jurisdiction

Chapters 42 and 43 of the Texas Local Government Code provide the limits of a city's extraterritorial jurisdiction ("ETJ") and the procedures for annexation. The Local Government Code provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city shall comprise the city's ETJ. The extent of a city's ETJ depends in part on the city's population, and is presently one mile for the City. All land within the District is within the ETJ of the City. The City is a home rule city and, as such, may annex and dissolve the District at any time, subject to restrictions in the Strategic Partnership Agreement (see below). In any event, upon annexation of the District by the City, the District would be dissolved, and all of the assets and liabilities of the District (including the Bonds) would accrue to the City. Annexation is a policy making matter within the discretion of the City, and the District makes no representation with respect to the likelihood of the annexation of the District by the City, or the ability of the City to pay principal and interest on the Bonds in such event.

Strategic Partnership Agreement with City of Richmond

On October 22, 2007, the District and the City entered into a Strategic Partnership Agreement ("SPA") for an initial term of 50 years whereby the City annexed commercial areas of the District for the limited purpose of imposing the City's sale and use tax. The City pays one-half of all its sales tax revenue for the limited purpose annexed areas to the District when received by the City from the State Comptroller of Public Accounts, who collects such tax revenue from commercial establishments in the District. The City agreed in the SPA not to annex the District for full purposes during the term of the SPA without the written consent of the Board of Directors of the District. The revenue from the SPA payments is not pledged to pay principal of and interest on the Bonds.

Consolidation

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created or confirmed in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, 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 Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. 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 Resolution 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 "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

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 might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to the 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 the Depository Trust Company ("DTC") and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation of 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 are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be 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 3.6 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+" by 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.

Principal, premium, if any, interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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.

THE DISTRICT

General

The District is a municipal utility district created by order of the Texas Water Rights Commission, now the TCEQ, dated May 27, 1975, and operates under the provision of Chapters 49 and 54 of the Texas Water Code, as amended and other general statutes applicable to municipal utility districts. The District is located wholly within the ETJ of the City.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District has received approval by the TCEQ and the voters of the District to contract with the City and the Pecan Grove Volunteer Fire Department for fire protection services in the District. The District imposes a mandatory fee for these services. Additionally, the District may, subject to certain limitations, develop and finance parks and recreational facilities and may also, subject to the granting of road powers by the TCEQ or the Texas Legislature and certain limitations, develop and finance roads. See “THE BONDS—Issuance of Additional Debt.”

The District is located in the Greater Houston Area, in Fort Bend County approximately 24 miles southwest of the central business district of the City of Houston, Texas, three miles northeast of the City, and seven miles west of the City of Sugar Land, Texas. Principal access from Houston to the District from the east is provided by I-69 to its intersection with U.S. 90-A, approximately seven miles to FM 359, then north one mile to the District and from the north from State Highway 99 (the Grand Parkway) via Mason Road. See “AERIAL PHOTOGRAPH.”

Status of Development

The District serves the Pecan Grove development, a recreation-oriented primary home development. The District contains approximately 1,703 acres of land. All land in the District, consisting of approximately 1,370 acres of residential development, 30 acres of multifamily apartments, 6 acres of townhomes (25 units), 247 acres of golf course, country club facilities and undevelopable property, 25 acres of commercial property, and 25 acres of school sites (which are not subject to ad valorem taxation), is served by water, sanitary sewer and drainage facilities. Residential subdivisions within the boundaries of the District include Pecan Grove Plantation, The Grove, The Greens, Plantation Place, and Pecan Lakes. All homebuilding in the District is complete. As of March 28, 2026, the District contained 4,392 occupied single-family residential connections and 27 vacant single-family residential connections. Based on the 2025 certified tax rolls of the District, the average house value is approximately $354,131.

In addition to the single-family residential development, the District contains a 580-unit apartment community (which is approximately 90% occupied according to property management), country club facilities (including a clubhouse, a 27-hole golf course, tennis courts and swimming pool), a 25 unit townhome complex, 30 commercial connections, including a day care center, a grocery store, several small shopping centers, and approximately 9 other restaurants or service establishments. The District also includes two elementary schools and a church which are not subject to ad-valorem taxation by the District. The District owns three parcels of land being used for park purposes, which are not subject to ad valorem taxation. There are also multiple small parks owned by area homeowner associations. The District provides out-of-District water service to a middle school and water and sewer service to a third elementary school.

Fire protection services are provided by three fire stations that are located adjacent to the District, two operated by the Pecan Grove Volunteer Fire Department and one operated by the City. The District has entered into fire protection services agreements with both the Pecan Grove Volunteer Fire Department and the City. These agreements establish a mandatory monthly fee, but do not require the levy of taxes or the issuance of bonds. The TCEQ and the District voters approved such agreements and fire plan. Residents within the Pecan Grove Volunteer Fire Department service area currently pay a mandatory monthly fee of $29.06 per single-family connection and residents within the City’s service area currently pay a mandatory monthly fee of $15.17 per single-family connection.

Fort Bend Independent School District (“FBISD”) has constructed an elementary school in the northern portion of the District, and Lamar Consolidated Independent School District (“LCISD”) has constructed two elementary schools within the District and one adjacent to the District. Property in the District owned by the two school districts is exempt from ad valorem taxation by the District and by other taxing jurisdictions. The District provides out-of-District water service to the LCISD elementary school adjacent to the District and an adjacent FBISD middle school.

In June 2024, the District purchased the real property of the Pecan Grove Planation Country Club, which includes the swimming pools, tennis courts, recreational workout facilities, golf course, country club building, driving ranges, cart storage facilities, cart paths and parking areas on approximately 211 acres within the District. The District has entered into one or more service agreements with third-parties to maintain and operate the club and golf course facilities. The District maintains and operates the swimming pools, tennis courts, recreational workout facilities, associated walkways and parking facilities. The District has developed a budget for the ongoing and regular expenses for these facilities.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. All of the Directors listed below reside within the District. Directors are elected by the voters within the District for four-year staggered terms. Director elections are held only in even numbered years. The Directors and Officers of the District are listed below:

Name	Title	Term Expires
Ryan Yokubaitis	President	May 2030
Stephen D. Crow	Vice President	May 2028
Jean Gobar	Secretary	May 2028
Julie Huber	Asst. Secretary	May 2030
Edward Gordon, Jr.	Asst. Vice President	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/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The legal fees to be paid to Bond Counsel 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 fees are contingent upon the sale and delivery of the Bonds.

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

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audited financial statements are filed with the TCEQ. The District's financial statements for the fiscal year ending September 30, 2025 have been audited by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's September 30, 2025 audited financial statements.

Engineer: The District's consulting engineer is Odyssey Engineering Group, LLC (the "Engineer").

Parks Manager: The District contracts with Time and Season Property Management to manage, operate and maintain its parks.

Tax Appraisal: The Fort Bend 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. Tax Tech, Inc. (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

Operator: The operator of the District's water and sewer system is Si Environmental, LLC.

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

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 is 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 the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the City, Fort Bend County, and, in some instances, the TCEQ. Fort Bend County and the City 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. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant utilized by the District beyond the criteria existing at the time of construction of such plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

Water, Sanitary Sewer and Drainage Facilities

Sources of Water Supply: The District is served by a surface water treatment plant ("SWTP"), three groundwater treatment plants and a remote water well. The SWTP is rated to provide 2.3 million gallons per day ("mgd") and its primary purpose is for compliance with the mandate by the Fort Bend Subsidence District (the "Subsidence District") to reduce groundwater usage. See "Fort Bend Subsidence District" below. Water Plant No. 1 consists of one 1,500 gallons per minute ("gpm") well and pump, an additional 500 gpm well, two 370,000 gallon ground storage tanks, two 20,000 gallon hydropneumatic tanks, four 950 gpm booster pumps, and other appurtenant equipment. Water Plant No. 2 consists of a 1,500 gpm well, two 426,000 gallon storage tanks, four 950 gpm booster pumps, two 20,000 gallon hydropneumatic tanks, an auxiliary engine and related appurtenances. Water Plant No. 3 consists of a 2,200 gpm well, two 542,000 gallon ground storage tanks, five 1,000 gpm booster pumps, two 20,000 gallon hydropneumatic tanks, an auxiliary engine, and other appurtenant equipment. The remote water well has capacity of 2,500 gpm. The District's five existing groundwater wells provide water capacity as needed for daily or peak demand and supplement the surface water supplied by the SWTP. A 650,000 gallon elevated storage facility is located in the northern portion of the District.

According to the District Engineer, the District's water supply facilities are currently capable of serving approximately 6,000 single-family equivalent connections, with the booster pumps being the limiting factor. The District is currently serving approximately 5,054 equivalent single-family connections.

The District entered into an agreement with Fort Bend County Municipal Utility District No. 134D ("MUD 134D") and Fort Bend County Municipal Utility District No. 134E ("MUD 134E") to serve property adjacent to the District being developed with water for up to 2,100 equivalent single-family connections on a temporary basis. On January 1, 2025, per the terms of the Temporary Water Supply Agreement, the parties, through an interconnect, agreed to only supply water to the other parties for an emergency or upon written consent of the supplying party. The Temporary Water Supply Agreement expires April 26, 2062.

Fort Bend Subsidence District: The District is within the boundaries of 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 certain areas within the Subsidence District's jurisdiction, including the area within the District.

To comply with these regulations, the District prepared a GRP approved by the Subsidence District in 2008 which currently limits groundwater withdrawals to no more than 70% of the total annual water demand and will limit groundwater withdrawals to no more than 40% of the total annual water demand, beginning January 2025.

Such GRP was based upon the District building a SWTP to serve the District, which is operational. Additionally, the District has entered into an agreement with the Brazos River Authority ("BRA") dated February 1, 2007, which provides for the District to receive up to 3,100 acre-feet of raw surface water from the Brazos River and which expires August 31, 2057. The contract is a "take or pay" contract under which the District is obligated to pay regardless of whether it utilizes the water. The District has assigned the contract with the BRA to the Gulf Coast Water Authority ("GCWA") and has entered into an agreement with the GCWA dated January 21, 2010 whereby GCWA has agreed to take the water from the Brazos River and pump it through its canal system. The BRA approved the assignment of this contact on January 26, 2010. Oyster Creek (part of the GCWA canal system) flows along the northern boundary of the District to a location where the District takes the water from Oyster Creek. The SWTP receives raw water from the Brazos River via flow diversion by GCWA into Oyster Creek. The GCWA contract with the District stipulates the supply and transmission of up to approximately 2.35 mgd of surface water. The District purchased an additional 700-acre feet of raw surface water from the BRA effective November 1, 2010, and that agreement expires on August 31, 2040. The District has finalized a year to year lease of surplus 700-acre feet which will cover the fees due to the BRA each year under such contract.

Source of Wastewater Treatment: The District owns and operates a 1.9 million gallons per day ("gpd") wastewater treatment plant, which has capacity to serve 5,428 equivalent single-family connections. According to the District Engineer, such capacity is sufficient, under current regulatory criteria, to serve the District at full build-out. The District is currently serving approximately 5,054 equivalent single-family connections.

100-Year Floodplain

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

A Letter of Map Revision ("LOMR") was approved by Federal Emergency Management Agency ("FEMA") on February 27, 2015 after completion of the Pecan Lakes levee and flood protection system. This LOMR revised the Flood Insurance Rate Maps for Fort Bend County dated April 2, 2014 and effectively removed the land in the District from the 100-year floodplain of the Brazos River. The District is participated with the BRA in a study of the Lower Brazos River flood plan and concluded that there are higher flood elevations in the District. Additionally, Fort Bend County has completed a study of the Brazos River watershed solely within Fort Bend County. Results of the Fort Bend County study indicate that the100-year water surface elevation is slightly lower than the published effective elevation. Fort Bend County has not yet determined if the effective maps will be updated based on this additional information.

The District is an independent community in FEMA's Flood Insurance program and has developed required guidelines for development within the special flood hazard zones with the boundaries of the District in compliance with the District's Flood Damage Prevention Order and FEMA.

Drainage Improvements: The Houston area, including Fort Bend County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 52 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain, and flooding caused by hurricanes, tropical storms, and other tropical disturbances.

According to the District's Operator, although residents of the District were under a mandatory evacuation order from the Fort Bend County Office of Emergency Management during Hurricane Harvey, there was no interruption in water or sewer service during Hurricane Harvey and the District's water and sewer facilities continued to be fully operational. Further, no storm water overtopped the District's original levee but water entered the community by coming over a berm around a detention pond outside the levee system and then entered the levee system through unprotected pipes. According to reports made by residents to the District's Operator, approximately 70 of the 4,420 homes within the District experienced flooding with reported depths ranging from one to twelve inches. The District terminated its contract with the District engineer, Jones & Carter, Inc., and hired a new engineer, who surveyed the entire levee and drainage system for improvements after the storm. The District has made improvements to the detention pond where water crested and then entered the community through unprotected pipes in the levee system, which is located outside the levee. The District has also extended the current levee around this detention pond and raised the height around the detention pond to the same height as the adjacent existing levee. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

Use and Distribution of Bond Proceeds

The construction costs below were compiled by the District and were submitted to the TCEQ in the District's bond application. Costs are based upon either contract amounts, or estimates of various costs by 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. Surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required. In the event actual costs exceed previously estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

CONSTRUCTION COSTS		
• Reclaim Water System Phase One	$	2,300,000
• Sanitary Sewer and Storm Sewer Improvements to Serve Club at Pecan Grove		235,000
• South Pump Station Headwall Modifications and Redundant Closures		890,000
• Engineering for Reclaim Water System Phase I		72,500
• Engineering for Sanitary Sewer and Storm Sewer Improvements to Serve Club at Pecan Grove		65,000
• Engineering for South Pump Station Headwall Modifications and Redundant Closures		60,000
Total Construction Costs	**$**	**3,622,500**
NON-CONSTRUCTION COSTS		
• Bond Discount (a)	$	119,530
Total Non-Construction Costs	**$**	**119,530**
ISSUANCE COSTS AND FEES		
• Issuance Costs and Professional Fees	$	211,000
• Bond Application Report Cost		32,500
• State Regulatory Fees		14,000
• Contingency (a)		470
Total Issuance Costs and Fees	**$**	**257,970**
TOTAL BOND ISSUE	**$**	**4,000,000**

(a) The TCEQ has approved a maximum Underwriter's discount of 3.00%. Contingency represents the difference between the estimated and actual amount of Bond Discount.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Date of Authorization	Purpose	Amount Authorized	Issued to Date	Amount Unissued
05/10/08	Refunding	$ 5,000,000	$ 735,000	$ 4,265,000
05/04/19	Water, Sanitary Sewer, And Drainage	$ 33,600,000	$ 18,985,000 *	$ 14,615,000 *

*Includes the Bonds.

FINANCIAL STATEMENT

2025 Certified Taxable Assessed Valuation	$1,601,129,981	(a)
2026 Preliminary Taxable Assessed Valuation	$1,639,498,872	(b)
Gross Direct Debt Outstanding (the Outstanding Bonds and the Bonds)	$52,885,000	(c)
Ratios of Gross Direct Debt to:		
2025 Certified Taxable Assessed Valuation	3.30%	
2026 Preliminary Taxable Assessed Valuation	3.23%	

Area of District – 1,703 acres
Estimated 2026 Population – 16,620 (d)

(a) As certified by the Fort Bend 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 amount is subject to review and downward adjustment by the Appraisal District prior to certification. No tax will be levied on such amount until the valuation of all taxable property located within the District is certified by the Appraisal District, with such certification expecting to occur in the summer of 2026. See "TAXING PROCEDURES."
(c) After the issuance of the Bonds. See "Outstanding Bonds" herein.
(d) Estimate based on 3.5 persons per occupied home and townhome and 2 persons per occupied apartment unit.

Cash and Investment Balances (unaudited as of May 26, 2026)

General Operating Fund	Cash and Temporary Investments	$8,760,259
Capital Projects Fund	Cash and Temporary Investments	$ 543,723
1991 Debt Service Fund	Cash and Temporary Investments	$5,181,661 (a)

(a) Neither Texas law nor the Bond Resolution requires the District to maintain any particular balance in the 1991 Debt Service Fund.

District Investment Policy

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. 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 portfolio.

Outstanding Bonds

The following table lists the original principal amount of Outstanding Bonds, and the current principal amount outstanding as of the date hereof.

Series		Original Principal Amount	Principal Amount Currently Outstanding
2015		$ 3,700,000	$ 2,700,000
2016		5,000,000	3,200,000
2017		1,790,000	1,150,000
2019	(a)	27,615,000	20,280,000
2019A		8,385,000	6,635,000
2020	(a)	11,140,000	8,705,000
2023		6,600,000	6,215,000
Total		$ 64,230,000	$ 48,885,000

(a) Unlimited tax refunding bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

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	Overlapping Amount
Fort Bend County………………………………………	$ 1,152,335,706	4/30/2026	1.25%	$ 14,404,196
Fort Bend County Drainage District……………………	20,585,000	4/30/2026	1.26%	259,371
Lamar Consolidated Independent School District (a)…	3,555,130,000	4/30/2026	5.26%	186,999,838
Fort Bend Independent School District (a)……………	1,816,645,000	4/30/2026	3.09%	56,134,331
Total Estimated Overlapping Debt……………………………………………………………………				$ 257,797,736
The District………………………………………………	52,885,000 (b)		100.00%	52,885,000
Total Direct and Estimated Overlapping Debt………………………………………………………				$ 310,682,736

Ratios of Estimated Direct and Overlapping Debt to:	
2025 Certified Taxable Assessed Valuation of $1,601,212,481…………………………………………	19.40%
2026 Preliminary Taxable Assessed Valuation of $1,639,498,872………………………………………	18.95%

(a) Approximately two-thirds of the District is within the boundaries of Fort Bend ISD and approximately one-third of the District is within the boundaries of Lamar CISD. These entities are not overlapping with each other.
(b) 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 is a summary of taxes levied for the 2025 tax year by all taxing jurisdictions overlapping the District and the 2025 tax rate of the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per $100 of Taxable Assessed Valuation
Fort Bend County (including Drainage District)………………	$ 0.422000
Lamar Consolidated Independent School District (a)……….	1.146900
Total Overlapping Tax Rate…………………………………	$ 1.568900
The District ………………………………………………	0.625000
Total Tax Rate………………………………………………	$ 2.193900

(a) Approximately two-thirds of the District is within the boundaries of Fort Bend ISD, which levied a 2025 tax rate of $1.056900 per $100 of taxable assessed valuation, and approximately one-third of the District is within the boundaries of Lamar CISD, which levied a 2025 tax rate of $1.146900 per $100 of taxable assessed valuation.

TAX DATA

Historical Tax Collections

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

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of April 30, 2026 (a) Amount	Percent
2021	$ 1,186,319,454	$0.635	$ 7,533,129	$ 7,510,514	99.70%
2022	1,348,114,191	0.615	8,290,902	8,265,390	99.69%
2023	1,492,645,288	0.610	9,105,136	9,064,975	99.56%
2024	1,589,807,637	0.605	9,618,336	9,550,002	99.29%
2025	1,601,129,981	0.625	10,007,062	9,669,599	96.63%

(a) Unaudited.

Taxes are due October 1 or when billed, and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	2025	2024	2023	2022	2021
Debt Service	$ 0.260	$ 0.285	$ 0.305	$ 0.300	$ 0.340
Maintenance and Operations	0.365	0.320	0.305	0.315	0.295
Total	$ 0.625	$ 0.605	$ 0.610	$ 0.615	$ 0.635

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance and Operations: $0.75 per $100 of taxable assessed valuation.

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2025 at the rate of $0.26 per $100 of taxable assessed valuation. See "Tax Rate Distribution" and "Tax Roll Information" herein.

Maintenance and Operations Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. The Board has been authorized to levy such a maintenance tax in an amount not to exceed $0.75 per $100 of taxable assessed valuation. The District levied a maintenance tax for 2025 at the rate of $0.365 per $100 of taxable assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemptions

As discussed in the section titled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation but 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. For the 2026 tax year, the District adopted a resolution granting a $25,000 exemption for taxpayers who are disabled or 65 years of age or older.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of fifteen percent (15%) of the tax to defray the costs of collection. This 15% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation." The following represents the composition of property comprising the 2021 through 2025 Certified Taxable Assessed Valuation. No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. A breakdown of the 2026 Preliminary Taxable Assessed Valuation, which is subject to review and downward adjustment prior to certification is not included herein.

	2025	2024	2023	2022	2021
Land	$ 357,407,158	$ 362,014,479	$ 280,971,701	$ 192,929,400	$ 190,741,440
Improvements	1,341,437,056	1,398,424,569	1,485,750,037	1,394,659,857	1,050,749,731
Personal Property	26,667,928	24,846,983	22,762,283	20,858,110	19,398,540
Exemptions	(124,382,161)	(195,478,394)	(296,838,733)	(260,333,176)	(74,570,257)
Total	$ 1,601,129,981	$ 1,589,807,637	$ 1,492,645,288	$ 1,348,114,191	$ 1,186,319,454

Principal Taxpayers

The following table represents the ten principal taxpayers, the taxable appraised value of such property, and such property's taxable assessed value as a percentage of the 2025 Certified Taxable Assessed Valuation of $1,601,129,981. This represents ownership as of January 1, 2025. A principal taxpayer list related to the 2026 Preliminary Taxable Assessed Valuation of $1,639,498,872, which is subject to review and downward adjustment prior to certification, is not available.

Taxpayer	Type of Property	2025 Certified Taxable Assessed Valuation	% of 2025 Certified Taxable Assessed Valuation
Bellevue at Pecan Grove LP	Apartments	$ 46,508,641	2.90%
La Vista Richmond Town Homes LLC	Townhomes	9,094,038	0.57%
Comcast of Houston LLC	Cable Utility	6,514,640	0.41%
Centerpoint Energy Electric	Electric Utility	6,054,250	0.38%
Centerpoint Energy Entex	Electric Utility	4,813,280	0.30%
Plantation Plaza Ltd.	Retail Strip Center	4,385,140	0.27%
Randalls Food & Drug LP	Grocery Store	4,379,103	0.27%
ANJ @ 359 LLC	Retail Strip Center	3,468,064	0.22%
Landmark Industries Inc	Gas Station	2,815,460	0.18%
1838 FM 359 LLC	Retail Strip Center	2,324,791	0.15%
Total		$ 90,357,407	5.64%

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2025 Certified Taxable Assessed Valuation of $1,601,129,981 or the 2026 Preliminary Taxable Assessed Valuation of $1,639,498,872, which is subject to review and downward adjustment prior to certification. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "DEBT SERVICE REQUIREMENTS" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."

Average Annual Debt Service Requirement (2027-2045)	$3,195,902
$0.22 Tax Rate on the 2025 Certified Taxable Assessed Valuation	$3,346,362
$0.21 Tax Rate on the 2026 Preliminary Taxable Assessed Valuation	$3,270,800
Maximum Annual Debt Service Requirement (2028)	$4,895,081
$0.33 Tax Rate on the 2025 Certified Taxable Assessed Valuation	$5,019,542
$0.32 Tax Rate on the 2026 Preliminary Taxable Assessed Valuation	$4,984,077

No representation or suggestion is made that the 2026 Preliminary Taxable Assessed Valuation provided by the Appraisal District will not be adjusted downward prior to certification, and no person should rely upon such amount or its inclusion herein as assurance of its 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 "INVESTMENT CONSIDERATIONS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under "THE BONDS—Source of Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See "TAX DATA—Debt Service Tax and Maintenance and Operations Tax."

Property Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the tax 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 Fort Bend Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Fort Bend County, including the District. Such appraisal values are subject to review and change by the Fort Bend Central Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by 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; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous 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 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead and, subject to certain conditions, an exemption 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%) 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 before July 1. To date, the District has not adopted a homestead exemption. See "TAX DATA."

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one 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. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Fort Bend County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County and the District, under certain circumstances, 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 appraised valuation of property covered by the agreement over its appraised 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 agreement. 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. 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.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all 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.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the Governor of 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 l 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 sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property 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, except as set forth herein with respect to residential homesteads. 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. 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 in writing 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 equal 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.

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area, and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing judication such as the District if the taxpayer 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.

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

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, 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 is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units: Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, 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 Texas 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. 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. For the 2026 tax year, the District was classified as a Developing District.

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 "ESTIMATED OVERLAPPING DEBT STATEMENT—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 amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. 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 "INVESTMENT CONSIDERATIONS—Tax Collection Limitations and Foreclosure Remedies."

WATER AND SEWER OPERATIONS

General

The Bonds and the 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 sewer operations are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds and the 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 or the Outstanding Bonds.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended September 30, 2022 through September 30, 2025 and an unaudited summary provided by the Bookkeeper for the seven-month period ended April 30, 2026. Reference is made to such statements and records for further and more complete information.

	10/1/2025 to 4/30/2026 (a) (Unaudited)	Fiscal Year Ended September 30			
		2025	2024	2023	2022
Revenues					
Water Service	$ 911,963	$ 1,435,454	$ 1,420,625	$ 1,136,813	$ 1,346,984
Sewer Service	1,218,522	2,053,244	2,047,533	1,498,014	1,574,998
Surface Water Fees	748,236	1,427,166	1,331,691	925,237	935,108
Property Taxes	5,723,313	5,053,145	4,517,021	4,255,069	3,494,458
Penalties and Interest	79,325	110,495	100,236	78,232	73,306
Fire Protection Fees	1,022,707	1,657,272	1,399,936	986,042	861,452
City of Richmond Shared Revenue (b)	-	144,647	147,515	149,761	154,283
Water Supply	75,187	128,235	149,653	170,966	-
Tap Connection and Inspection	9,029	110,000	162,418	23,580	17,965
Security Service	132,346	21,551	218,829	228,948	252,010
Federal Awards	137,258	152,192	-	123,189	-
Parks and Recreation	228,759	201,923	-	-	-
Miscellaneous	30,247	202,649	78,259	51,837	40,456
Investment Earnings	147,836	330,749	584,191	474,704	75,366
Total Revenues	$ 10,464,727	$ 13,028,722	$ 12,157,907	$ 10,102,392	$ 8,826,386
Expenditures					
Professional Fees	$ 244,637	$ 785,004	$ 854,004	$ 666,443	$ 494,171
Contracted Services	2,023,803	2,987,993	3,130,192	2,373,233	1,988,858
Surface Water	96,714	2,701,915	1,969,261	1,574,133	1,498,415
Repairs and Maintenance	1,321,113	2,009,861	2,356,174	2,081,404	1,623,772
Utilities	243,970	421,571	444,559	407,168	355,784
Solid Waste	660,604	1,187,681	1,182,508	754,881	684,721
Administrative	400,719	360,839	325,288	218,218	226,552
Parks and Recreation	1,611,622	1,237,084	541,094	438,738	441,037
Other	83,557	225,692	88,589	61,539	84,568
Capital Outlay	230,984	1,886,420	5,264,524 (c)	1,090,677	1,152,595
Total Expenditures	$ 6,917,725	$ 13,804,060	$ 16,156,193	$ 9,666,434	$ 8,550,473
Revenues Over (Under) Expenditures	$ 3,547,003	$ (775,338)	$ (3,998,286)	$ 435,958	$ 275,913
Other Sources (Interfund Transfer)	$ -	$ -	$ -	$ 32,500	$ -
Fund Balance (Beginning of Year)	$ 6,226,711	$ 7,002,049	$ 11,000,335	$ 10,531,877	$ 10,255,964
Fund Balance (End of Year)	$ 9,773,714	$ 6,226,711	$ 7,002,049	$ 11,000,335	$ 10,531,877

(a) Unaudited, provided by the Bookkeeper.
(b) Represents sales tax revenue received from the City pursuant to the SPA. See "THE BONDS—Strategic Partnership Agreement with City of Richmond."
(c) In June 2024, the District purchased the real property of the Pecan Grove Planation Country Club. See "THE DISTRICT—Status of Development."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds plus the Bonds.

Year	Outstanding Bonds Debt Service Requirements		Plus: Debt Service on the Bonds Principal	Interest	Total	Total Debt Service Requirements
2026	$ 3,882,343.75	(a)	$ -	$ -	$ -	$ 3,882,343.75
2027	4,549,481.25		-	169,216.11	169,216.11	4,718,697.36
2028	4,519,906.25		225,000	150,175.00	375,175.00	4,895,081.25
2029	4,519,306.25		225,000	138,925.00	363,925.00	4,883,231.25
2030	4,480,093.75		225,000	127,675.00	352,675.00	4,832,768.75
2031	4,551,837.50		225,000	116,425.00	341,425.00	4,893,262.50
2032	4,526,412.50		225,000	105,175.00	330,175.00	4,856,587.50
2033	4,527,943.75		225,000	95,050.00	320,050.00	4,847,993.75
2034	4,550,650.00		225,000	86,050.00	311,050.00	4,861,700.00
2035	4,528,875.00		225,000	78,175.00	303,175.00	4,832,050.00
2036	2,913,975.00		220,000	71,500.00	291,500.00	3,205,475.00
2037	2,846,206.25		220,000	64,900.00	284,900.00	3,131,106.25
2038	2,800,900.00		220,000	58,300.00	278,300.00	3,079,200.00
2039	2,699,356.25		220,000	51,700.00	271,700.00	2,971,056.25
2040	1,715,537.50		220,000	45,100.00	265,100.00	1,980,637.50
2041	506,400.00		220,000	38,500.00	258,500.00	764,900.00
2042	508,400.00		220,000	30,800.00	250,800.00	759,200.00
2043	509,600.00		220,000	22,000.00	242,000.00	751,600.00
2044	-		220,000	13,200.00	233,200.00	233,200.00
2045	-		220,000	4,400.00	224,400.00	224,400.00
Total	$ 59,137,225.00		$ 4,000,000	$ 1,467,266.11	$ 5,467,266.11	$ 64,604,491.11

(a) Excludes the District's March 1, 2025 debt service payment in the amount of $672,344.

Maximum Annual Debt Service Requirement (2028)......$4,895,081
Average Annual Debt Service Requirements (2027-2045)......$3,195,902

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City, Fort Bend 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 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 and Bankruptcy Limitations" below.

Extreme Weather Events

The greater Houston area, including Fort Bend County, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

According to the District's Operator, although residents of the District were under a mandatory evacuation order from the Fort Bend County Office of Emergency Management during Hurricane Harvey, there was no interruption in water or sewer service during the storm and the District's water and sewer facilities continued to be fully operational. Further, no storm water overtopped the District's original certified levee, but water entered the community by coming over a berm around a detention pond outside the levee system and then entered the levee system through unprotected pipes. According to reports made by residents to the District's Operator, approximately 70 of the 4,420 homes within the District experienced flooding with reported depths ranging from one to twelve inches.

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

Specific Flood Type Risks

Ponding (or Pluvial) Flood: occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can over capacitate a drainage system which becomes trapped and flows out into streets and nearby structures until it reaches a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam or levee.

River (or Fluvial) Flood: 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 sheetflow overland. 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 floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee or dam has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam or levee also could potentially create a flooding condition in rivers or man-made drainage systems (canals or channels) downstream.

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2025 Certified Taxable Assessed Valuation is $1,601,129,981. After issuance of the Bonds, the maximum annual debt service requirement will be $4,895,081 (2028), and the average annual debt service requirement will be $3,195,902 (2027-2045 inclusive). Assuming no increase or decrease from the 2025 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of $0.33 and $0.22 per $100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no increase or decrease from the 2026 Preliminary Taxable Assessed Valuation of $1,639,498,872, which is subject to review and downward adjustment prior to certification, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of $0.32 and $0.21 per $100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2025 Certified Taxable Assessed Valuation or the 2026 Preliminary Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. See "TAX DATA—Tax Adequacy for Debt Service," and "DEBT SERVICE REQUIREMENTS."

No representation or suggestion is made that the 2026 Preliminary Taxable Assessed Valuation provided by the Appraisal District, which is subject to review and downward adjustment prior to certification, will not be adjusted downward prior to certification, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See "TAXING PROCEDURES."

Future Debt

After issuance of the Bonds, the District will have (i) $14,615,000 principal amount authorized but unissued unlimited tax bonds for the purposes of improving water, sanitary sewer and drainage facilities and for refunding purposes remaining from the 2019 Election (ii) $4,265,000 principal amount of unlimited tax refunding bonds authorized but unissued for the purpose of refunding outstanding debt of the District remaining from a prior election. The Bond Resolution 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. See "THE BONDS—Issuance of Additional Debt" and "THE SYSTEM." The issuance of such future obligations may increase the District's tax rate and adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities must be approved by the TCEQ.

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 "ESTIMATED OVERLAPPING DEBT STATEMENT—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 and Bankruptcy Limitations

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 Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, 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 Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. 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 Resolution 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.

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

Notwithstanding noncompliance by a district with Texas law requirements, 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 the 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.

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required 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. Costs associated with these compliance activities could be substantial in the future.

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

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

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

Marketability

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.

Continuing Compliance with Certain Covenants

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

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.

<u>Risk Factors on Municipal Bond Insurance</u>

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the insurance provider (the "Insurer") providing the Policy 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.

<u>Cybersecurity</u>

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

<u>Legal Proceedings</u>

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel to a like effect and to the effect that, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Code (as defined herein), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under "THE BONDS," "THE DISTRICT—General," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

No 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 from that set forth or contemplated in the PRELIMINARY OFFICIAL STATEMENT, as it may be amended or supplemented through the date of the sale.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

TAX MATTERS

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

Tax Exemption

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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

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

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

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

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as "qualified tax-exempt obligations" and will represent 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 these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

Additional Federal Income Tax Considerations

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

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

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

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

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

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

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

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

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

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

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

Tax Legislative Changes

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

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). Moody's Investors Service, Inc. ("Moody's") has also assigned an underlying rating of "A1" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND INSURANCE."

There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P or Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its municipal bond insurance policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this OFFICIAL STATEMENT.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: https://bambonds.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $493.3 million, $277.6 million and $215.7 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the 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 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, resolutions, engineering and other related information set forth in this OFFICIAL STATEMENT are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

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

Consultants

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

Appraisal District: The information contained in this OFFICIAL STATEMENT relating to the assessed valuations has been provided by the Fort Bend Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Fort Bend County, including the District.

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

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

Auditor: The District's financial statements for the year ended September 30, 2025, were audited by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's September 30, 2025, audited financial statements.

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

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the Board has relied in part upon its examination of records of the District, and upon 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 Resolution, 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. 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", "FINANCIAL STATEMENT," "TAX DATA," "WATER AND SEWER OPERATIONS" and in APPENDIX A (Financial Statements of the District and certain supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2026. Any financial statements provided by the District shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to 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 September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MRSB, 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 17 CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (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 term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

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

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

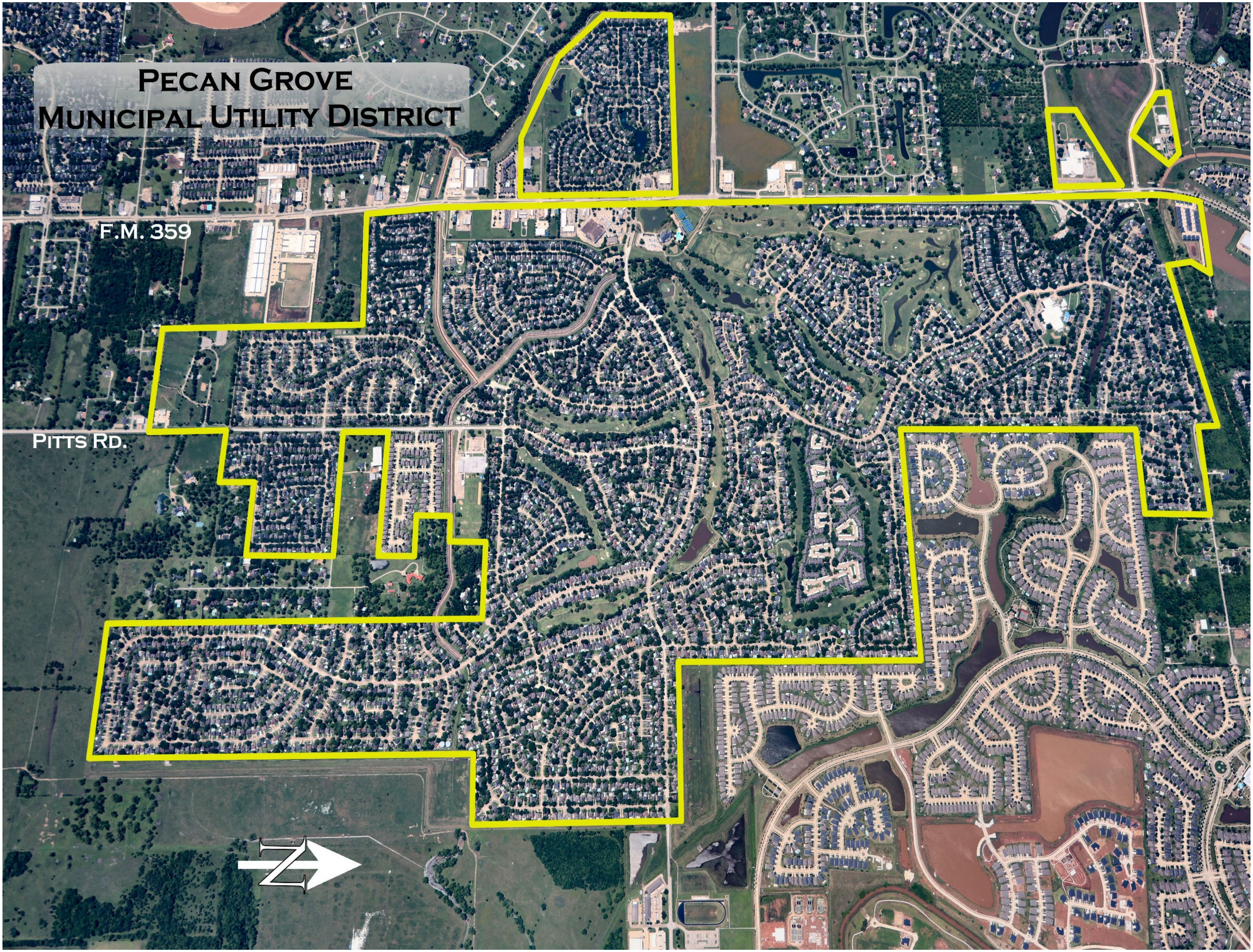
/s/ Ryan Yokubaitis
President, Board of Directors

ATTEST:

/s/ Jean Gobar
Secretary, Board of Directors

AERIAL PHOTOGRAPH

(As of May 2026)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PHOTOGRAPHS OF THE DISTRICT

(As of May 2026)


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APPENDIX A

Financial Statement of the District for the year ended September 30, 2025

PECAN GROVE MUNICIPAL UTILITY DISTRICT

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2025

Table of Contents

McGRATH & CO., PLLC
Certified Public Accountants
2900 North Loop West, Suite 880
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Pecan Grove Municipal Utility District
Fort Bend County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Pecan Grove Municipal Utility District (the "District"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Pecan Grove MUDPecan Grove Municipal Utility District, as of September 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

McGrath & Co, PLLC

Houston, Texas
January 27, 2026

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Management’s Discussion and Analysis

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Using this Annual Report

This section of the financial report of Pecan Grove Municipal Utility District (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2025. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at September 30, 2025, was $44,819,698. A comparative summary of the District's overall financial position, as of September 30, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	$ 24,520,731	$ 17,279,221
Capital assets	82,778,051	81,936,853
Total assets	107,298,782	99,216,074
Total deferred outflows of resources	295,627	325,037
Current liabilities	4,853,149	5,327,338
Long-term liabilities	46,039,146	49,283,161
Total liabilities	50,892,295	54,610,499
Total deferred inflows of resources	11,882,416	1,783,533
Net position		
Net investment in capital assets	36,284,070	33,844,247
Restricted	2,173,256	2,043,712
Unrestricted	6,362,372	7,259,120
Total net position	$ 44,819,698	$ 43,147,079

The significant increase in current assets and deferred inflows is due to the fact that, during the current fiscal year, the District reevaluated the timing of receivable recognition criteria related to property tax levies. As a result of this reassessment, the 2025 tax levy, which was adopted prior to fiscal year-end, was recognized as taxes receivable with a corresponding deferred inflow of resources.

For comparative purposes, the prior-year amounts for taxes receivable and deferred inflows of resources do not include the 2024 tax levy because, although it was similarly adopted prior to the end of that fiscal year end, the levy was not recognized in the audited financial statements for that fiscal year. Accordingly, the prior-year balances are not presented on a basis consistent with the current year with respect to timing of the levy recognition. Because the receivable is fully offset by a deferred inflow of resources, this change has no impact on net position or fund balances.

The total net position of the District increased during the current fiscal year by $1,672,619. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2025	2024
Revenues		
Property taxes, penalties and interest	$ 9,809,049	$ 9,267,892
Water and sewer service	3,488,698	3,468,158
Surface water fees	1,427,166	1,331,691
Fire protection fees	1,657,272	1,399,936
Federal awards	152,192	
Other	1,483,250	1,828,121
Total revenues	18,017,627	17,295,798
Expenses		
Current service operations	12,164,524	11,187,211
Debt interest and fees	1,442,241	1,557,251
Depreciation	2,738,243	2,637,288
Total expenses	16,345,008	15,381,750
Change in net position	1,672,619	1,914,048
Net position, beginning of year	43,147,079	41,233,031
Net position, end of year	$ 44,819,698	$ 43,147,079

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2025, were $10,684,177, which consists of $6,226,711 in the General Fund, $1,997,928 in the Debt Service Fund and $2,459,538 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 15,387,837	$ 10,242,561
Total liabilities	$ 1,361,797	$ 1,355,348
Total deferred inflows	7,799,329	1,885,164
Total fund balance	6,226,711	7,002,049
Total liabilities, deferred inflows and fund balance	$ 15,387,837	$ 10,242,561

As previously discussed, the measurement of current year property taxes receivable (included in total assets) and deferred inflows is not consistent with prior year due to a reevaluation of the application of receivable recognition criteria for property tax levies.

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

	2025	2024
Total revenues	$ 13,028,722	$ 12,157,907
Total expenditures	(13,804,060)	(16,156,193)
Revenues under expenditures	$ (775,338)	$ (3,998,286)

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2024 levy was recognized as revenues in the 2025 fiscal year, while the 2023 levy was recognized in the 2024 fiscal year (to the extent that these amounts were collected). Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 6,505,385	$ 2,317,355
Total liabilities	$ 5,059	$ 1,213
Total deferred inflows	4,502,398	231,298
Total fund balance	1,997,928	2,084,844
Total liabilities, deferred inflows and fund balance	$ 6,505,385	$ 2,317,355

As previously discussed, the measurement of current year property taxes receivable (included in total assets) and deferred inflows is not consistent with prior year due to a reevaluation of the application of receivable recognition criteria for property tax levies.

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

	2025	2024
Total revenues	$ 4,733,187	$ 4,784,020
Total expenditures	(4,820,103)	(4,795,057)
Revenues under expenditures	$ (86,916)	$ (11,037)

The District's financial resources in the Debt Service Fund in both the current and prior fiscal year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in a decrease in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of September 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 2,627,509	$ 4,719,305
Total liabilities	$ 167,971	$ 693,787
Total fund balance	2,459,538	4,025,518
Total liabilities and fund balance	$ 2,627,509	$ 4,719,305

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2025	2024
Total revenues	$ 169,336	$ 274,230
Total expenditures	(1,735,316)	(1,477,882)
Revenues under expenditures	$ (1,565,980)	$ (1,203,652)

The District has had considerable capital asset activity in the last two fiscal years, which was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Bonds in a prior fiscal year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the fiscal year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $702,125 less than budgeted. The *Budgetary Comparison Schedule* on page 40 of this report provides variance information per financial statement line item.

Capital Assets

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

	2025	2024
Capital assets not being depreciated		
Land and improvements	$ 14,189,388	$ 14,189,388
Construction in progress	1,559,705	1,986,824
	15,749,093	16,176,212
Capital assets being depreciated		
Infrastructure	105,551,910	102,495,842
Recreational facilities	1,493,424	1,493,424
Fixtures, furniture and equipment	4,922,782	3,972,290
Buildings	3,834,338	3,834,338
	115,802,454	111,795,894
Less accumulated depreciation		
Infrastructure	(45,944,509)	(43,736,590)
Recreational facilities	(1,135,200)	(1,095,490)
Fixtures, furniture and equipment	(1,387,039)	(1,011,282)
Buildings	(306,748)	(191,891)
	(48,773,496)	(46,035,253)
Depreciable capital assets, net	67,028,958	65,760,641
Capital assets, net	$ 82,778,051	$ 81,936,853

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

- South pump station generator replacement
- Recoating of elevated storage tank and surface water treatment plant GAC unit
- Surface water treatment plant SCADA reprogramming
- Sewer outfall rehabilitation and inlet repair
- Wastewater treatment plant electrical improvements and natural gas generator
- Belt press upgrades at surface water treatment plant

The District's construction in progress is for the construction of the following projects:

- Waterline reconstruction and repairs, Phase 2
- Swimming pool rehabilitation
- Tennis court resurface and rehabilitation
- Tennis court electrical and lighting improvements

Long-Term Debt

At September 30, 2025 and 2024, the District had total bonded debt outstanding as shown below:

Series	2025	2024
2015	$ 2,700,000	$ 2,800,000
2016	3,200,000	3,400,000
2017	1,150,000	1,230,000
2019 Refunding	20,280,000	21,890,000
2019A	6,635,000	6,985,000
2020 Refunding	8,705,000	9,305,000
2023	6,215,000	6,435,000
	$ 48,885,000	$ 52,045,000

At September 30, 2025, the District had $18,615,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and refunding purposes and $4,265,000 for refunding purposes.

Property Taxes

The District's property tax base increased approximately $30,322,000 for the 2025 tax year from $1,592,273,735 to $1,622,595,344. This increase was primarily due to increased property values. For the 2025 tax year, the District has levied a maintenance tax rate of $0.365 per $100 of assessed value and a debt service tax rate of $0.26 per $100 of assessed value, for a total combined tax rate of $0.625 per $100 of assessed value. Tax rates for the 2024 tax year were $0.32 per $100 for maintenance and operations and $0.285 per $100 for debt service for a combined total of $0.605 per $100 of assessed value.

Next Year's Budget

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

	2025 Actual	2026 Budget
Total revenues	$ 13,028,722	$ 14,496,071
Total expenditures	(13,804,060)	(13,961,776)
Revenues over/(under) expenditures	(775,338)	534,295
Beginning fund balance	7,002,049	6,226,711
Ending fund balance	$ 6,226,711	$ 6,761,006

Basic Financial Statements

Pecan Grove Municipal Utility District
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Assets				
Cash	$ 695,109	$ 137,594	$ 29,696	$ 862,399
Investments	5,393,961	1,878,503	2,597,813	9,870,277
Taxes receivable, net	6,058,134	4,502,398		10,560,532
Customer service receivables, net	725,036			725,036
Internal balances	42,810	(42,810)		
Other receivables	112,497			112,497
Prepaid items	619,095	29,700		648,795
Service concession agreement receivable	1,741,195			1,741,195
Capital assets not being depreciated				
Capital assets, net				
Total Assets	$ 15,387,837	$ 6,505,385	$ 2,627,509	$ 24,520,731
Deferred Outflows of Resources				
Deferred difference on refunding				
Liabilities				
Accounts payable	$ 638,587	$ -	$ 27,606	$ 666,193
Other payables	97,644	5,059		102,703
Cash overdraft	137,633			137,633
Retainage payable	81,195		140,365	221,560
Customer deposits	406,738			406,738
Accrued interest payable				
Long-term debt				
Due within one year				
Due after one year				
Total Liabilities	1,361,797	5,059	167,971	1,534,827
Deferred Inflows of Resources				
Deferred property taxes	6,058,134	4,502,398		10,560,532
Deferred service concession agreement	1,741,195			1,741,195
Total Deferred Inflows of Resources	7,799,329	4,502,398		12,301,727
Fund Balances/Net Position				
Fund Balances				
Nonspendable	619,095	29,700		648,795
Restricted		1,968,228	2,459,538	4,427,766
Unassigned	5,607,616			5,607,616
Total Fund Balances	6,226,711	1,997,928	2,459,538	10,684,177
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 15,387,837	$ 6,505,385	$ 2,627,509	$ 24,520,731
Net Position				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See notes to basic financial statements.

Adjustments	Statement of Net Position
$ -	$ 862,399
	9,870,277
	10,560,532
	725,036
	112,497
	648,795
	1,741,195
15,749,093	15,749,093
67,028,958	67,028,958
82,778,051	107,298,782
295,627	295,627
	666,193
	102,703
	137,633
	221,560
	406,738
108,322	108,322
3,210,000	3,210,000
46,039,146	46,039,146
49,357,468	50,892,295
(419,311)	10,141,221
	1,741,195
(419,311)	11,882,416
(648,795)	
(4,427,766)	
(5,607,616)	
(10,684,177)	
36,284,070	36,284,070
2,173,256	2,173,256
6,362,372	6,362,372
$ 44,819,698	$ 44,819,698

Pecan Grove Municipal Utility District
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Water service	$ 1,435,454	$ -	$ -	$ 1,435,454
Sewer service	2,053,244			2,053,244
Surface water fees	1,427,166			1,427,166
Property taxes	5,053,145	4,501,530		9,554,675
Penalties and interest	110,495	57,497		167,992
Fire protection fees	1,657,272			1,657,272
City of Richmond shared revenues	144,647			144,647
Water supply	128,235			128,235
Security service	110,000			110,000
Tap connection and inspection	21,551			21,551
Federal awards	152,192			152,192
Parks and recreation	201,923			201,923
Miscellaneous	202,649			202,649
Investment earnings	330,749	174,160	169,336	674,245
Total Revenues	13,028,722	4,733,187	169,336	17,931,245
Expenditures/Expenses				
Current service operations				
Professional fees	785,004	15,434	41,889	842,327
Contracted services	2,987,993	161,919		3,149,912
Surface water	2,701,915			2,701,915
Repairs and maintenance	2,009,861			2,009,861
Utilities	421,571			421,571
Solid waste	1,187,681			1,187,681
Administrative	360,839	14,737		375,576
Parks and recreation	1,237,084			1,237,084
Other	225,692	12,500	405	238,597
Capital outlay	1,886,420		1,693,022	3,579,442
Debt service				
Principal		3,160,000		3,160,000
Interest and fees		1,455,513		1,455,513
Depreciation				
Total Expenditures/Expenses	13,804,060	4,820,103	1,735,316	20,359,479
Revenues Over/(Under) Expenditures	(775,338)	(86,916)	(1,565,980)	(2,428,234)
Change in Net Position				
Fund Balance/Net Position				
Beginning of the year	7,002,049	2,084,844	4,025,518	13,112,411
End of the year	$ 6,226,711	$ 1,997,928	$ 2,459,538	$ 10,684,177

See notes to basic financial statements.

Adjustments	Statement of Activities
$ -	$ 1,435,454
	2,053,244
	1,427,166
55,880	9,610,555
30,502	198,494
	1,657,272
	144,647
	128,235
	110,000
	21,551
	152,192
	201,923
	202,649
	674,245
86,382	18,017,627
	842,327
	3,149,912
	2,701,915
	2,009,861
	421,571
	1,187,681
	375,576
	1,237,084
	238,597
(3,579,442)	
(3,160,000)	
(13,272)	1,442,241
2,738,243	2,738,243
(4,014,471)	16,345,008
2,428,234	
1,672,619	1,672,619
30,034,668	43,147,079
$ 34,135,521	$ 44,819,698

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Pecan Grove Municipal Utility District (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Water Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated May 27, 1975, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on December 20, 1976, and the first bonds were issued on September 27, 1979. The District changed its name to Pecan Grove Municipal Utility District on June 25, 1981.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or "major" funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer and drainage facilities.

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset unless a legal right of offset exists. At September 30, 2025, allowances of $2,468 and $11,000 were provided for possible uncollectible property taxes and water/sewer accounts, respectively.

Unbilled Service Revenues

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

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is $50,000. The threshold for subscription-based information technology arrangements ("SBITAs") is $500,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method as follows:

Assets	Useful Life
Infrastructure	10-45 years
Recreational facilities	15-20 years
Fixtures, furniture and equipment	5-20 years
Buildings	50 years

The District's detention facilities, drainage channels and levee system are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

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

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

Installment payments receivable from The Club at Pecan Grove pursuant to the District's lease agreement discussed in Note 12 are also reported as deferred inflows in the fund financial statements and at the government-wide level.

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense. Deferred inflows of financial resources at the government-wide level also consist of the 2025 property tax levy, which was levied to finance the 2026 fiscal year.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables; and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		$ 10,684,177
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 131,551,547	
Less accumulated depreciation	(48,773,496)	
		82,778,051
The difference between the face amount of bonds refunded and the amount paid to refund the bonds does not provide financial resources at the fund level and is recorded as a deferred outflow in the *Statement of Net Position* and amortized to interest expense.		295,627
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Accrued interest payable	(108,322)	
Bonds payable, net	(49,249,146)	
		(49,357,468)
Deferred inflows in the fund financial statements consist of the unavailable portion of property taxes receivable that have been levied and are due, but are not available to pay current period expenditures. In the *Statement of Net Position*, deferred inflows consist of the entire 2025 property tax levy.		
Fund level deferred property taxes	10,560,532	
Government wide level deferred property taxes	(10,141,221)	
		419,311
Total net position - governmental activities		$ 44,819,698

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

Net change in fund balances - total governmental funds		$ (2,428,234)
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.		86,382
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:		
Capital outlays	$ 3,579,442	
Depreciation expense	(2,738,243)	
		841,199
Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:		
Principal payments	3,160,000	
Interest expense accrual	13,272	
		3,173,272
Change in net position of governmental activities		$ 1,672,619

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of September 30, 2025, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	$ 468,633	5%	N/A	N/A
TexPool	General	692,783			
	Debt Service	1,076,937			
	Capital Projects	420,358			
		2,190,078	22%	AAAm	44 days
TexSTAR	General	260,362	3%	AAAm	50 days
Texas CLASS	General	3,972,183			
	Debt Service	801,566			
	Capital Projects	2,177,455			
		6,951,204	70%	AAAm	43 days
Total		$ 9,870,277	100%		

The District's investments in certificates of deposit are reported at cost.

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

TexSTAR

The Texas Short Term Asset Reserve fund ("TexSTAR") is managed by Hilltop Securities, and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

TexSTAR uses amortized cost rather than fair value to report net assets to compute share price. Accordingly, investments in TexSTAR are stated at amortized cost which approximates fair value. Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Texas CLASS

The District also participates in Texas Cooperative Liquid Assets Securities System ("Texas CLASS"). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administrator and UMB Bank N.A., as the custodian.

The District's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2025, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 42,810	Maintenance tax collections not remitted as of year end

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Note 5 – Capital Assets

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

	Beginning Balances	Additions	Retirements/ Adjustments	Ending Balances
Capital assets not being depreciated				
Land and improvements	$ 14,189,388	$ -	$ -	$ 14,189,388
Construction in progress	1,986,824	1,559,704	(1,986,823)	1,559,705
	16,176,212	1,559,704	(1,986,823)	15,749,093
Capital assets being depreciated				
Infrastructure	102,495,842	3,056,068		105,551,910
Recreational facilities	1,493,424			1,493,424
Fixtures, furniture and equipment	3,972,290	950,492		4,922,782
Buildings	3,834,338			3,834,338
	111,795,894	4,006,560		115,802,454
Less accumulated depreciation				
Infrastructure	(43,736,590)	(2,207,919)		(45,944,509)
Recreational facilities	(1,095,490)	(39,710)		(1,135,200)
Fixtures, furniture and equipment	(1,011,282)	(375,757)		(1,387,039)
Buildings	(191,891)	(114,857)		(306,748)
	(46,035,253)	(2,738,243)		(48,773,496)
Subtotal depreciable capital assets, net	65,760,641	1,268,317		67,028,958
Capital assets, net	$ 81,936,853	$ 2,828,021	$ (1,986,823)	$ 82,778,051

Depreciation expense for the current fiscal year was $2,738,243.

The District has contractual commitments for construction projects as follows:

	Contract Amount	Paid To Date	Remaining Amount *
Waterline reconstruction and repairs, Phase 2	$ 2,236,350	$ 748,054	$ 1,488,296
Pool rehabilitation, Phase 2	449,148	439,848	9,300
Tennis court electrical and lighting improvements	258,793	210,696	48,097
Water Plant No. 1 - recoating of the hydropneumatics tanks	82,850		82,850
	$ 3,027,141	$ 1,398,598	$ 1,628,543

* Includes retainage

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 48,885,000
Unamortized discounts	(23,120)
Unamortized premium	387,266
	$ 49,249,146
Due within one year	$ 3,210,000

The District's bonds payable at September 30, 2025, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2015	$ 2,700,000	$ 3,700,000	2.0% - 3.75%	September 1, 2016/2040	March 1, September 1	September 1, 2022
2016	3,200,000	5,000,000	2.0% - 3.25%	September 1, 2017/2040	March 1, September 1	September 1, 2022
2017	1,150,000	1,790,000	2.0% - 4.0%	September 1, 2018/2040	March 1, September 1	September 1, 2024
2019 Refunding	20,280,000	27,615,000	2.125% - 4.0%	September 1, 2020/2035	March 1, September 1	September 1, 2025
2019A	6,635,000	8,385,000	2.0% - 4.0%	September 1, 2021/2040	March 1, September 1	September 1, 2025
2020 Refunding	8,705,000	11,140,000	2.0% - 3.0%	September 1, 2021/2039	March 1, September 1	September 1, 2025
2023	6,215,000	6,600,000	3.0% - 5.5%	September 1, 2024/2043	March 1, September 1	September 1, 2029
	$ 48,885,000					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At September 30, 2025, the District had authorized but unissued bonds in the amount of $18,615,000 for water, sewer and drainage facilities and refunding purposes and $4,265,000 for refunding purposes.

The change in the District's long-term debt during the fiscal year is as follows:

Bonds payable, beginning of year	$ 52,045,000
Bonds retired	(3,160,000)
Bonds payable, end of year	$ 48,885,000

As of September 30, 2025, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2026	$ 3,210,000	$ 1,344,689	$ 4,554,689
2027	3,280,000	1,269,482	4,549,482
2028	3,330,000	1,189,906	4,519,906
2029	3,415,000	1,104,307	4,519,307
2030	3,465,000	1,015,095	4,480,095
2031	3,625,000	926,837	4,551,837
2032	3,695,000	831,412	4,526,412
2033	3,800,000	727,943	4,527,943
2034	3,930,000	620,650	4,550,650
2035	4,020,000	508,874	4,528,874
2036	2,520,000	393,974	2,913,974
2037	2,520,000	326,206	2,846,206
2038	2,545,000	255,900	2,800,900
2039	2,515,000	184,356	2,699,356
2040	1,605,000	110,537	1,715,537
2041	450,000	56,400	506,400
2042	470,000	38,400	508,400
2043	490,000	19,600	509,600
	$ 48,885,000	$ 10,924,568	$ 59,809,568

Note 7 – Property Taxes

On May 4, 2019, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $0.75 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

In accordance with applicable accounting standards, a receivable is recognized upon formal adoption of the tax levy, while revenues are recognized in the period in which they are intended to finance, provided the amounts are considered available. The District's 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of $0.605 per $100 of assessed value, of which $0.32 was allocated to maintenance and operations and $0.285 was allocated to debt service. The resulting tax levy was $9,633,256 on the adjusted taxable value of $1,592,273,735.

During the current fiscal year, the District adopted the 2025 tax levy prior to fiscal year end. Because this levy is intended to finance the District's 2026 fiscal year, the District recognized a receivable and deferred inflows in the amount of $10,141,221 for the 2025 tax levy. This levy will be recognized as revenues in the 2026 fiscal year as they become available and are used to finance that period.

Net property taxes receivable, at September 30, 2025, consisted of the following:

Current year taxes receivable	$ 10,141,221
Prior years taxes receivable	282,421
Less allowance for uncollectible accounts	(2,468)
	10,421,174
Penalty and interest receivable	139,358
Net property taxes receivable	$ 10,560,532

Note 8 – Strategic Partnership Agreement

On October 22, 2007, the District and the City of Richmond (the "City") entered into a Strategic Partnership Agreement (the "Agreement") under which the City annexed a tract of land within the boundaries of the District for limited purposes of levying sales and use tax on commercial activities within such tract. The District continues to exercise all powers and functions of a municipal utility district as provided by law with respect to the tract. As consideration for the District providing services as detailed in the Agreement, the City agreed to remit one-half of all City sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payment by the City, the District agreed to continue to provide and develop water, sewer and drainage services within the District in lieu of full purpose annexation. The City agreed it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 50 years. During the current fiscal year, the District recorded $144,647 in revenues related to the Agreement.

Note 9 – Emergency Water Supply Agreement

On June 25, 2019, the District, Fort Bend Municipal Utility District No. 134D ("MUD 134D") and Fort Bend County Municipal Utility District No. 134E ("MUD 134E"), collectively referred to as the "Harvest Green Districts," entered into an agreement in which each District agreed to temporarily supply water to the other Districts in the event of an emergency. However, if the supplying District has converted in whole or in part to surface water, the rate per thousand gallons shall be equal to the then current surface water fee charged by the North Fort Bend Water Authority (the "Authority").

On April 26, 2022, the District entered into an amended and restated emergency water supply agreement to supply water to the Harvest Green Districts until December 31, 2024 (the "Temporary Use Period") when the expected Harvest Green Plant Phase 2 will be completed and at a rate of $4.88

per 1,000 gallons through December 31, 2022. This rate will increase 5% annually starting January 1, 2023, until the temporary use period expires. Additionally, the emergency water supply rate applicable to all districts under the agreement was amended to $2.50 per 1,000 gallons delivered, plus any Authority fees. During the current fiscal year, the District recognized $128,235 in revenues related to the agreement.

Note 10 – Fire Protection Agreement

On April 15, 2015, as subsequently amended September 28, 2021, November 1, 2022, and November 1, 2023, the District entered into an agreement with Pecan Grove Volunteer Fire Department ("PGVFD"). As part of the agreement, PGVFD will provide fire and rescue services to certain areas within the District in return for a payment of monthly fire protection fees. The District shall pay PGVFD $27.56 per month for each ESFC plus an administrative fee of $300 per month. The agreement is effective fifteen years from the effective date of November 15, 2015 and automatically renew for successive one-year terms. Either party may terminate the agreement by giving 120 days written notice.

On April 24, 2015, the District entered into a Fire Protection Agreement with the City. The City has agreed to provide fire protection services to certain residential and commercial properties within the District in return for payment of monthly fire protection fees. The District shall pay the City $14.78, after CPI adjustments, per month for each residential and commercial connection, plus an administrative fee of $287 per month. The Fire Protection Agreement with the City may be cancelled, by either party, after the term of 10 years from the effective date of November 15, 2015, with at least one year's written notice.

During the current fiscal year, the District paid $1,544,720 to PGVFD and $73,324 to the City for fire protection services while collecting $1,657,272 from customers within the District.

Note 11 – Raw Surface Water Agreements

The District has entered into an agreement with the Brazos River Authority (the "BRA") dated February 12, 2007, which provides for the District to receive up to 3,100 acre-feet of raw surface water from the Brazos River. The agreement, which expires August 31, 2057, is a take or pay agreement under which the District is obligated to pay regardless of whether it utilizes the water. In January 2010, the District assigned its rights under the agreement to the Gulf Coast Water Authority ("GCWA") but retained the obligation to pay the annual reservation fee which was $308,450 for the current year. The District also entered into an agreement with the GCWA dated January 21, 2010, whereby GCWA has agreed to take the water from the Brazos River and pump it through its canal system. The GCWA agreement with the District stipulates that the GCWA will supply up to 2.35 million gallons per day of surface water, for which the District agrees to pay a monthly fee as established by the GCWA.

The annual fee to be charged by GCWA for the 3,100 acre-feet is the same rate charged by BRA and is divided in 12 equal monthly payments. During the current fiscal year, the District also paid for repairs related to the Darrell E. Shannon Pumping Plant ("SPP") that was severely damaged during Hurricane Harvey in 2017. The District recognized expenditures of $378,877 for both the monthly payments and the SPP repairs.

The District entered into a second agreement with the BRA for an additional 700 acre-feet effective November 1, 2010. This agreement is also on a take or pay basis and expires on August 31, 2040. The District makes an annual payment to the BRA for the 700 acre-feet at the rate established by the BRA. During the current fiscal year, the District recognized expenditures of $69,650 for raw surface water.

Note 12 – Pecan Grove Plantation Country Club

On June 6, 2024, the District and Pecan Grove Golf, LLC, entered into an agreement for the District's acquisition of the Pecan Grove Plantation Country Club, which consists of land, buildings, other improvements, swim facilities, and indoor recreational facilities. The $3,780,000 cost of the acquisition was paid from General Fund resources. The sale closed August 20, 2024.

On August 20, 2024, the District entered into a lease agreement with The Club at Pecan Grove, Inc. ("the Club") for the management, operation, and maintenance of the club at Pecan Grove in which the primary objective of the Club is to improve, maintain and professionally manage and maximize the use of the leased premises, including the golf courses and clubhouse, while simultaneously maintaining the ability to offer golf memberships to interested individuals. The District will hold indefeasible title to the leased premises and the structures and improvements located on the facilities.

The District and the Club will meet each year to discuss the operations and management of the leased facilities, and review any proposed changes or increases in the rates to be charged to the general public, which rates shall be fair and reasonable and comparable to other semi-private golf courses. Additionally, no later than the second full lease year, the Club will perform and complete capital improvements to the premises in an amount equal to or exceeding $1,750,000. Capital improvements are required at a rate of 1% of gross revenues in the third full lease year, 2% of gross revenues in the fourth lease year, and at 3% of gross revenues each lease year thereafter. The term of the agreement is 40 years, with two additional 10-year terms.

Per the lease agreement, the Club will pay the District a base rent of $96,000 per year, to be adjusted annually by the amount of consumer price index. Additionally, after the third full lease year, the Club is entitled to earn a reduction of the following year's base rent based on the amount of gross revenues spent on capital improvements at a 5% reduction for 3.50%-4.49% of gross revenues spent on capital improvements, a 15% reduction for 4.5%-5.49% of gross revenues spent on capital improvements, or a 25% reduction for 5.5% or more of gross revenues spent on capital improvements. The Club will provide the District with annual gross revenues reports for the purpose of assessing and calculating the percentage of gross revenues spent on capital improvements and any earned rent credits.

The District has accounted for this lease agreement under the requirements of GASB Statement No. 94 and is treated as a service concession arrangement. Upon lease execution, the District recorded a receivable for the installment payments in the amount of $1,777,111 on *the Governmental Funds Balance Sheet*, which is the discounted value of all future payments using a rate of 4.58%. The District also recorded a related deferred inflow of resources in the same amount and are amortized based on the term of the agreement. The remaining receivable and deferred inflows of resources as of September 30, 2025, was $1,741,195.

During the current fiscal year, the District has contracted with a management company to manage the operations of the facilities that are not included in the lease agreement with the Club.

Note 13 – Risk Management

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

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Required Supplementary Information

Pecan Grove Municipal Utility District
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	$ 1,700,000	$ 1,700,000	$ 1,435,454	$ (264,546)
Sewer service	2,200,000	2,200,000	2,053,244	(146,756)
Surface water fees	1,300,000	1,300,000	1,427,166	127,166
Property taxes	5,080,000	5,080,000	5,053,145	(26,855)
Penalties and interest	110,000	110,000	110,495	495
Fire protection fees	1,630,000	1,650,000	1,657,272	7,272
City of Richmond shared revenues	145,000	145,000	144,647	(353)
Water supply	35,000	35,000	128,235	93,235
Security service	140,000	140,000	110,000	(30,000)
Tap connection and inspection	18,000	18,000	21,551	3,551
Federal awards			152,192	152,192
Parks and recreation	156,070	156,070	201,923	45,853
Miscellaneous	34,001	34,001	202,649	168,648
Investment earnings	300,000	300,000	330,749	30,749
Total Revenues	12,848,071	12,868,071	13,028,722	160,651
Expenditures				
Current service operations				
Professional fees	473,000	482,000	785,004	(303,004)
Contracted services	2,922,078	2,968,000	2,987,993	(19,993)
Surface water	2,449,700	2,449,700	2,701,915	(252,215)
Repairs and maintenance	1,946,500	1,946,500	2,009,861	(63,361)
Utilities	380,000	380,000	421,571	(41,571)
Solid waste	1,187,478	1,187,478	1,187,681	(203)
Administrative	315,105	315,105	360,839	(45,734)
Parks and recreation	1,417,100	1,544,500	1,237,084	307,416
Other	65,201	73,501	225,692	(152,191)
Capital outlay	1,589,500	1,594,500	1,886,420	(291,920)
Total Expenditures	12,745,662	12,941,284	13,804,060	(862,776)
Revenues Over/(Under) Expenditures	102,409	(73,213)	(775,338)	(702,125)
Fund Balance				
Beginning of the year	7,002,049	7,002,049	7,002,049	
End of the year	$ 7,104,458	$ 6,928,836	$ 6,226,711	$ (702,125)

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the fiscal year to reflect changes in anticipated revenues and expenditures.

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Texas Supplementary Information

Pecan Grove Municipal Utility District
TSI-1. Services and Rates
September 30, 2025

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

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

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

[X] Other (Specify): Water via emergency interconnect with MUD 134D

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 13.00	6,000	N	$ 1.50	6,001	to	10,000
				$ 2.20	10,001	to	15,000
				$ 2.70	15,001	to	20,000
				$ 3.00	20,001	to	30,000
				$ 3.50	30,001	to	no limit
Wastewater:	$ 36.51	N/A	Y				
Surcharge:	$ -	0	N	$ 2.50	0	to	no limit

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

Total charges per 10,000 gallons usage: Water $ 44.00 Wastewater $ 36.51

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	4,217	4,186	x 1.0	4,186
1"	293	292	x 2.5	730
1.5"	14	14	x 5.0	70
2"	20	20	x 8.0	160
3"	5	5	x 15.0	75
4"	2	2	x 25.0	50
6"	3	3	x 50.0	150
8"	2	2	x 80.0	160
10"			x 115.0	
Total Water	4,556	4,524		5,581
Total Wastewater	4,475	4,443	x 1.0	4,443

See accompanying auditor's report.

Pecan Grove Municipal Utility District
TSI-1. Services and Rates
September 30, 2025

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

Gallons pumped into system:	702,496,000	Water Accountability Ratio: (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	645,963,000	92.23%
Gallons sold to FB MUD 134D:	1,958,000	

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

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

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

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

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

5. Location of District:

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

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

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

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

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

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

ETJs in which the District is located: City of Richmond, Texas

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

If Yes, by whom? ______

See accompanying auditor's report.

Pecan Grove Municipal Utility District
TSI-2. General Fund Expenditures
For the Year Ended September 30, 2025

Professional fees	
Legal	$ 133,851
Audit	44,000
Engineering	607,153
	785,004
Contracted services	
Bookkeeping	244,883
Operator	934,465
Fire protection	1,618,044
Security	181,302
Tap connection and inspection	9,299
	2,987,993
Surface water	2,701,915
Repairs and maintenance	2,009,861
Utilities	421,571
Solid waste	1,187,681
Administrative	
Directors fees	20,111
Printing and office supplies	106,643
Insurance	206,780
Other	27,305
	360,839
Parks and recreation	1,237,084
Other	225,692
Capital outlay	1,886,420
Total expenditures	$ 13,804,060

See accompanying auditor's report.

Pecan Grove Municipal Utility District
TSI-3. Investments
September 30, 2025

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
Certificate of deposit	4.32%	10/21/25	$ 230,000	$ 4,410
Certificate of deposit	4.25%	03/09/26	238,633	583
TexPool	Variable	N/A	692,783	
Texas CLASS	Variable	N/A	3,972,183	
TexSTAR	Variable	N/A	260,362	
			5,393,961	4,993
Debt Service				
TexPool	Variable	N/A	1,076,937	
Texas CLASS	Variable	N/A	801,566	
			1,878,503	
Capital Projects				
TexPool	Variable	N/A	420,358	
Texas CLASS	Variable	N/A	2,177,455	
			2,597,813	
Total - All Funds			$ 9,870,277	$ 4,993

See accompanying auditor's report.

Pecan Grove Municipal Utility District
TSI-4. Taxes Levied and Receivable
September 30, 2025

	Maintenance Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 104,656	$ 119,416	$ 224,072
Adjustments to Prior Year Tax Levy	(11,127)	(11,623)	(22,750)
Adjusted Receivable	93,529	107,793	201,322
2024 Original Tax Levy	5,094,068	4,536,904	9,630,972
Adjustments	1,209	1,075	2,284
Adjusted Tax Levy	5,095,277	4,537,979	9,633,256
2025 Original Tax Levy	5,921,125	4,217,787	10,138,912
Adjustments	1,348	961	2,309
Adjusted Tax Levy	5,922,473	4,218,748	10,141,221
Total to be accounted for	11,111,279	8,864,520	19,975,799
Tax collections:			
2024	5,040,675	4,489,351	9,530,026
Prior years	12,470	12,129	24,599
Total Collections	5,053,145	4,501,480	9,554,625
Taxes Receivable, End of Year	$ 6,058,134	$ 4,363,040	$ 10,421,174
Taxes Receivable, By Years			
2025	$ 5,922,473	$ 4,218,748	$ 10,141,221
2024	54,601	48,629	103,230
2023	24,732	24,732	49,464
2022 and prior	56,328	70,931	127,259
Taxes Receivable, End of Year	$ 6,058,134	$ 4,363,040	$ 10,421,174

	2025	2024	2023	2022
Property Valuations:				
Land	$ 357,356,952	$ 362,014,479	$ 280,971,701	$ 192,929,400
Improvements	1,360,699,514	1,313,999,795	1,287,605,931	1,224,163,608
Personal Property	24,670,504	24,846,983	22,762,283	20,858,110
Exemptions	(120,131,626)	(108,587,522)	(98,686,077)	(90,008,520)
Total Property Valuations	$ 1,622,595,344	$ 1,592,273,735	$ 1,492,653,838	$ 1,347,942,598
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.365	$ 0.320	$ 0.305	$ 0.315
Debt service tax rates	0.260	0.285	0.305	0.300
Total Tax Rates per $100 Valuation	$ 0.625	$ 0.605	$ 0.610	$ 0.615
Adjusted Tax Levy:	$ 10,141,221	$ 9,633,256	$ 9,105,188	$ 8,289,847
Percentage of Taxes Collected to Taxes Levied **	93.97%	98.93%	99.46%	99.73%

* Maximum Maintenance Tax Rate Approved by Voters: $0.75 on May 4, 2019

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

See accompanying auditor's report.

Pecan Grove Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2015--by Years
September 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	$ 100,000	$ 96,188	$ 196,188
2027	100,000	93,187	193,187
2028	100,000	90,188	190,188
2029	100,000	87,187	187,187
2030	100,000	83,938	183,938
2031	100,000	80,687	180,687
2032	100,000	77,313	177,313
2033	100,000	73,937	173,937
2034	100,000	70,438	170,438
2035	100,000	66,937	166,937
2036	350,000	63,313	413,313
2037	350,000	50,625	400,625
2038	350,000	37,500	387,500
2039	350,000	24,375	374,375
2040	300,000	11,250	311,250
	$ 2,700,000	$ 1,007,063	$ 3,707,063

See accompanying auditor's report.

Pecan Grove Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
September 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	$ 200,000	$ 91,250	$ 291,250
2027	200,000	86,250	286,250
2028	200,000	81,250	281,250
2029	200,000	76,250	276,250
2030	200,000	71,250	271,250
2031	200,000	66,250	266,250
2032	200,000	60,750	260,750
2033	200,000	55,250	255,250
2034	200,000	49,250	249,250
2035	200,000	43,250	243,250
2036	225,000	37,250	262,250
2037	225,000	30,500	255,500
2038	250,000	23,750	273,750
2039	250,000	16,250	266,250
2040	250,000	8,125	258,125
	$ 3,200,000	$ 796,875	$ 3,996,875

See accompanying auditor's report.

Pecan Grove Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
September 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	$ 80,000	$ 33,463	$ 113,463
2027	80,000	31,863	111,863
2028	80,000	29,863	109,863
2029	80,000	27,863	107,863
2030	80,000	25,463	105,463
2031	75,000	23,062	98,062
2032	75,000	20,812	95,812
2033	75,000	18,562	93,562
2034	75,000	16,312	91,312
2035	75,000	14,062	89,062
2036	75,000	11,812	86,812
2037	75,000	9,562	84,562
2038	75,000	7,312	82,312
2039	75,000	4,874	79,874
2040	75,000	2,437	77,437
	$ 1,150,000	$ 277,322	$ 1,427,322

See accompanying auditor's report.

Pecan Grove Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2019 Refunding--by Years
September 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	$ 1,685,000	$ 549,475	$ 2,234,475
2027	1,750,000	513,669	2,263,669
2028	1,820,000	474,294	2,294,294
2029	1,895,000	428,794	2,323,794
2030	1,965,000	381,419	2,346,419
2031	2,045,000	329,838	2,374,838
2032	2,135,000	273,600	2,408,600
2033	2,230,000	209,550	2,439,550
2034	2,325,000	142,650	2,467,650
2035	2,430,000	72,900	2,502,900
	$ 20,280,000	$ 3,376,189	$ 23,656,189

See accompanying auditor's report.

Pecan Grove Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2019A--by Years
September 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	$ 350,000	$ 160,994	$ 510,994
2027	350,000	153,994	503,994
2028	350,000	146,993	496,993
2029	350,000	139,994	489,994
2030	350,000	132,556	482,556
2031	425,000	124,681	549,681
2032	425,000	115,119	540,119
2033	425,000	105,025	530,025
2034	475,000	94,931	569,931
2035	475,000	83,056	558,056
2036	525,000	71,181	596,181
2037	525,000	57,400	582,400
2038	525,000	43,619	568,619
2039	535,000	29,838	564,838
2040	550,000	15,125	565,125
	$ 6,635,000	$ 1,474,506	$ 8,109,506

See accompanying auditor's report.

Pecan Grove Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2020 Refunding--by Years
September 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	$ 565,000	$ 175,219	$ 740,219
2027	560,000	163,919	723,919
2028	530,000	152,718	682,718
2029	525,000	142,119	667,119
2030	495,000	131,619	626,619
2031	490,000	121,719	611,719
2032	460,000	111,918	571,918
2033	455,000	102,719	557,719
2034	425,000	93,619	518,619
2035	395,000	85,119	480,119
2036	985,000	77,218	1,062,218
2037	970,000	57,519	1,027,519
2038	955,000	38,119	993,119
2039	895,000	19,019	914,019
	$ 8,705,000	$ 1,472,563	$ 10,177,563

See accompanying auditor's report.

Pecan Grove Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
September 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	$ 230,000	$ 238,100	$ 468,100
2027	240,000	226,600	466,600
2028	250,000	214,600	464,600
2029	265,000	202,100	467,100
2030	275,000	188,850	463,850
2031	290,000	180,600	470,600
2032	300,000	171,900	471,900
2033	315,000	162,900	477,900
2034	330,000	153,450	483,450
2035	345,000	143,550	488,550
2036	360,000	133,200	493,200
2037	375,000	120,600	495,600
2038	390,000	105,600	495,600
2039	410,000	90,000	500,000
2040	430,000	73,600	503,600
2041	450,000	56,400	506,400
2042	470,000	38,400	508,400
2043	490,000	19,600	509,600
	$ 6,215,000	$ 2,520,050	$ 8,735,050

See accompanying auditor's report.

Pecan Grove Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	$ 3,210,000	$ 1,344,689	$ 4,554,689
2027	3,280,000	1,269,482	4,549,482
2028	3,330,000	1,189,906	4,519,906
2029	3,415,000	1,104,307	4,519,307
2030	3,465,000	1,015,095	4,480,095
2031	3,625,000	926,837	4,551,837
2032	3,695,000	831,412	4,526,412
2033	3,800,000	727,943	4,527,943
2034	3,930,000	620,650	4,550,650
2035	4,020,000	508,874	4,528,874
2036	2,520,000	393,974	2,913,974
2037	2,520,000	326,206	2,846,206
2038	2,545,000	255,900	2,800,900
2039	2,515,000	184,356	2,699,356
2040	1,605,000	110,537	1,715,537
2041	450,000	56,400	506,400
2042	470,000	38,400	508,400
2043	490,000	19,600	509,600
	$ 48,885,000	$ 10,924,568	$ 59,809,568

See accompanying auditor's report.

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Pecan Grove Municipal Utility District
TSI-6. Change in Long-Term Bonded Debt
September 30, 2025

	Bond Issue			
	Series 2015	Series 2016	Series 2017	Series 2019 Refunding
Interest rate	2.0% - 3.75%	2.0% - 3.25%	2.0% - 4.0%	2.125% - 4.0%
Dates interest payable	3/01; 9/01	3/01; 9/01	3/01; 9/01	3/01; 9/01
Maturity dates	9/1/16 - 9/1/40	9/1/17 - 9/1/40	9/1/18 - 9/1/40	9/1/20 - 9/1/35
Beginning bonds outstanding	$ 2,800,000	$ 3,400,000	$ 1,230,000	$ 21,890,000
Bonds retired	(100,000)	(200,000)	(80,000)	(1,610,000)
Ending bonds outstanding	$ 2,700,000	$ 3,200,000	$ 1,150,000	$ 20,280,000
Interest paid during fiscal year	$ 99,187	$ 96,250	$ 35,063	$ 613,875

Paying agent's name and city
All Series — The Bank of New York Mellon Trust Company, N.A., Dallas, TX

Bond Authority:	Water, Sewer, Drainage and Refunding Bonds	Drainage and Reclamation and Refunding Bonds	Refunding Bonds
Amount Authorized by Voters	$ 33,600,000	$ 24,300,000	$ 32,974,200
Amount Issued	(14,985,000)	(24,300,000)	(28,709,200)
Remaining To Be Issued	$ 18,615,000	$ -	$ 4,265,000

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balance as of September 30, 2025: $ 2,016,097

Average annual debt service payment (principal and interest) for remaining term of all debt: $ 3,322,754

See accompanying auditor's report.

Bond Issue			
Series 2019A	Series 2020 Refunding	Series 2023	Totals
2.0% - 4.0%	2.0% - 3.0%	3.0% - 5.5%	
3/01; 9/01	3/01; 9/01	3/01; 9/01	
9/1/21 - 9/1/40	9/1/21 - 9/1/39	9/1/24 - 9/1/43	
$ 6,985,000	$ 9,305,000	$ 6,435,000	$ 52,045,000
(350,000)	(600,000)	(220,000)	(3,160,000)
$ 6,635,000	$ 8,705,000	$ 6,215,000	$ 48,885,000
$ 174,994	$ 182,719	$ 250,200	$ 1,452,288

Pecan Grove Municipal Utility District
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2025	2024	2023	2022	2021
Revenues					
Water service	$ 1,435,454	$ 1,420,625	$ 1,136,813	$ 1,346,984	$ 1,193,662
Sewer service	2,053,244	2,047,533	1,498,014	1,574,998	1,559,206
Surface water fees	1,427,166	1,331,691	925,237	935,108	748,993
Property taxes	5,053,145	4,517,021	4,255,069	3,494,458	3,203,921
Penalties and interest	110,495	100,236	78,232	73,306	50,875
Fire protection fees	1,657,272	1,399,936	986,042	861,452	684,550
City of Richmond shared revenues	144,647	147,515	149,761	154,283	137,957
Water supply	128,235	149,653	170,966		
Tap connection and inspection	110,000	162,418	23,580	17,965	12,240
Security service	21,551	218,829	228,948	252,010	281,546
Federal awards	152,192		123,189		15,741
Parks and recreation	201,923				
Miscellaneous	202,649	78,259	51,837	40,456	102,820
Investment earnings	330,749	584,191	474,704	75,366	11,968
Total Revenues	13,028,722	12,157,907	10,102,392	8,826,386	8,003,479
Expenditures					
Current service operations					
Professional fees	785,004	854,004	666,443	494,171	654,363
Contracted services	2,987,993	3,130,192	2,373,233	1,988,858	1,845,326
Surface water	2,701,915	1,969,261	1,574,133	1,498,415	1,540,000
Repairs and maintenance	2,009,861	2,356,174	2,081,404	1,623,772	1,645,652
Utilities	421,571	444,559	407,168	355,784	376,514
Solid waste	1,187,681	1,182,508	754,881	684,721	685,170
Administrative	360,839	325,288	218,218	226,552	178,306
Parks and recreation	1,237,084	541,094	438,738	441,037	485,464
Other	225,692	88,589	61,539	84,568	62,329
Capital outlay	1,886,420	5,264,524	1,090,677	1,152,595	1,814,815
Total Expenditures	13,804,060	16,156,193	9,666,434	8,550,473	9,287,939
Revenues Over/(Under) Expenditures	(775,338)	(3,998,286)	435,958	275,913	(1,284,460)
Other Financing Sources					
Internal transfers			32,500		1,099,674
Other Items					
Settlement proceeds					2,719,840
Settlement expenses					(1,082,903)
Net Change in Fund Balance	(775,338)	(3,998,286)	468,458	275,913	1,452,151
Fund Balance, Beginning of the year	7,002,049	11,000,335	10,531,877	10,255,964	8,803,813
End of the year	$ 6,226,711	$ 7,002,049	$ 11,000,335	$ 10,531,877	$ 10,255,964

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
11%	11%	11%	14%	15%
16%	17%	15%	18%	19%
11%	11%	9%	11%	9%
37%	37%	42%	40%	40%
1%	1%	1%	1%	1%
13%	12%	10%	10%	9%
1%	1%	1%	2%	2%
1%	1%	2%		
1%	1%	*	*	*
*	2%	2%	3%	4%
1%		1%		*
2%				
2%	1%	1%	*	1%
3%	5%	5%	1%	*
100%	100%	100%	100%	100%
6%	7%	7%	6%	8%
23%	26%	23%	23%	23%
21%	16%	16%	17%	19%
15%	19%	21%	18%	21%
3%	4%	4%	4%	5%
9%	10%	7%	8%	9%
3%	3%	2%	3%	2%
9%	4%	4%	5%	6%
2%	1%	1%	1%	1%
14%	43%	11%	13%	23%
105%	133%	96%	98%	117%
(5%)	(33%)	4%	2%	(17%)

Pecan Grove Municipal Utility District
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2025	2024	2023	2022	2021
Revenues					
Property taxes	$ 4,501,530	$ 4,517,251	$ 4,060,501	$ 4,029,370	$ 4,065,195
Penalties and interest	57,497	53,743	58,885	48,689	57,030
Miscellaneous			10		25
Investment earnings	174,160	213,026	179,394	30,655	3,285
Total Revenues	4,733,187	4,784,020	4,298,790	4,108,714	4,125,535
Expenditures					
Tax collection services	192,090	174,007	151,311	145,216	122,980
Other	12,500	5,000	2,500	5,070	5,008
Debt service					
Principal	3,160,000	3,020,000	2,765,000	2,685,000	2,610,000
Interest and fees	1,455,513	1,596,050	1,411,438	1,508,388	1,600,338
Total Expenditures	4,820,103	4,795,057	4,330,249	4,343,674	4,338,326
Revenues Under Expenditures	(86,916)	(11,037)	(31,459)	(234,960)	(212,791)
Fund Balance, Beginning of the year	2,084,844	2,095,881	2,127,340	2,362,300	2,575,091
End of the year	$ 1,997,928	$ 2,084,844	$ 2,095,881	$ 2,127,340	$ 2,362,300
Total Active Retail Water Connections	4,524	4,528	4,531	4,530	4,532
Total Active Retail Wastewater Connections	4,443	4,448	4,454	4,452	4,434

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
95%	95%	95%	98%	99%
1%	1%	1%	1%	1%
		*		*
4%	4%	4%	1%	*
100%	100%	100%	100%	100%
4%	4%	4%	4%	3%
*	*	*	*	*
67%	63%	64%	65%	63%
31%	33%	33%	37%	39%
102%	100%	101%	106%	105%
(2%)	0%	(1%)	(6%)	(5%)

Pecan Grove Municipal Utility District
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2025

Complete District Mailing Address:	3200 Southwest Freeway, Suite 2600, Houston, TX 77027	
District Business Telephone Number:	(713) 860-6400	
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 21, 2024	
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)		$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Ryan Yokubaitis	5/22 - 5/26	$ 6,409	$ 916	President
Stephen Crow	5/24 - 5/28	6,409		Vice President
Edward Gordon	5/24 - 5/28	2,873		Assistant Vice President
Jean Gobar	5/24 - 5/28	2,210		Secretary
Austin Roberts	5/22 - 5/26	2,210		Assistant Secretary
Consultants		Amounts Paid		
Allen Boone Humphries Robinson LLP	7/03			Attorney
General legal fees		$ 157,086		
Si Environmental, LLC	10/22	3,055,427		Operator
Myrtle Cruz, Inc.	12/18	106,667		Bookkeeper
Tax Tech, Inc.	6/89	66,082		Tax Collector
Fort Bend Central Appraisal District	Legislation	95,837		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	1979	15,434		Delinquent Tax Attorney
Odyssey Engineering Group, LLC	11/17	762,896		Engineer
McGrath & Co., PLLC	6/16	44,000		Auditor
Masterson Advisors, LLC	4/18			Financial Advisor
Time and Season Property Management	12/24	611,047		Park Maintenance

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

See accompanying auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________________

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)