

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

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

NEW ISSUE – Book Entry Only

S&P Global Ratings (BAM Insured): “AA”

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT No. 87
(A political subdivision of the State of Texas, located within Brazoria County, Texas)

\$3,000,000
Unlimited Tax Road Bonds,
Series 2026

Dated: September 1, 2026

Due: September 1, as shown on inside cover page

Interest Accrues from Delivery Date

The \$3,000,000 Unlimited Tax Road Bonds, Series 2026 (the “Bonds”) are solely obligations of the Brazoria County Municipal Utility District No. 87 (the “District”) and are not obligations of the State of Texas, Brazoria County, the City of Iowa Colony, Texas, or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas, Brazoria County, Texas, the City of Iowa Colony, Texas, nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the “Paying Agent/Registrar”). The Bonds are dated September 1, 2026, and interest on the Bonds accrues from the date of their initial delivery, currently scheduled for September 10, 2026 (the “Delivery Date”). Interest is payable March 1, 2027, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the 15th day (whether or not a business day) of the calendar month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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, in turn, will remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See “THE BONDS – Book-Entry-Only System.”

See “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on inside cover.

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



The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring and/or constructing a road system to serve the District (the “Road System”). THE BONDS ARE SUBJECT TO RISK FACTORS DESCRIBED HEREIN. SEE “RISK FACTORS.” The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of a continuing annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “THE BONDS – Source of Payment.” Neither the State of Texas, Brazoria County, Texas, the City of Iowa Colony, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, Brazoria County, Texas, the City of Iowa Colony, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered, when, as and if issued by the District and accepted by the winning bidder of the Bonds (the “Initial Purchaser”), subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. This Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful under the securities laws of such jurisdictions. Delivery of the Bonds through the facilities of DTC is expected on or about September 10, 2026.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$3,000,000 Unlimited Tax Road Bonds, Series 2026

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield ^(a)	CUSIP No. 10608K ^(b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield ^(a)	CUSIP No. 10608K ^(b)
2028	\$65,000	7.000%	3.150%	AA8	2040 ^(c)	\$120,000	4.500%	4.350%	AN0
2029	70,000	7.000%	3.200%	AB6	2041 ^(c)	125,000	4.500%	4.400%	AP5
2030	70,000	7.000%	3.300%	AC4	2042 ^(c)	135,000	4.500%	4.450%	AQ3
2031	75,000	7.000%	3.400%	AD2	2043 ^(c)	140,000	4.500%	4.500%	AR1
2032	80,000	7.000%	3.500%	AE0	2044 ^(c)	150,000	4.500%	4.550%	AS9
2033 ^(c)	85,000	7.000%	3.600%	AF7	2045 ^(c)	155,000	4.500%	4.600%	AT7
2034 ^(c)	90,000	7.000%	3.650%	AG5	2046 ^(c)	165,000	4.625%	4.640%	AU4
2035 ^(c)	95,000	5.750%	3.700%	AH3	2047 ^(c)	170,000	4.625%	4.680%	AV2
2036 ^(c)	100,000	5.000%	3.800%	AJ9	2048 ^(c)	180,000	4.625%	4.710%	AW0
2037 ^(c)	105,000	5.000%	3.900%	AK6	2049 ^(c)	190,000	4.625%	4.730%	AX8
2038 ^(c)	110,000	4.500%	4.250%	AL4	2050 ^(c)	200,000	4.625%	4.750%	AY6
2039 ^(c)	115,000	4.500%	4.300%	AM2	2051 ^(c)	210,000	4.625%	4.770%	AZ3

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

^(b) CUSIP numbers will be assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. None of the District, Municipal Advisor (herein defined) or Initial Purchaser shall be responsible for the selection or the correctness of the CUSIP numbers.

^(c) Bonds maturing on September 1, 2033, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2032, or on any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See “THE BONDS – Redemption of the Bonds.”

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Coats Rose, P.C. for further information.

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 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, other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "CONTINUING DISCLOSURE OF INFORMATION" and "OFFICIAL STATEMENT – Updating of Official Statement."

Neither the District nor the Initial Purchaser makes any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this 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."

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "RISK FACTORS" in this Official Statement, as well as additional factors beyond the District's control. The important risk factors and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

References to website 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 websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for any purpose.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by Robert W. Baird & Co., Inc. (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on the inside cover, at a price of 98.000000% of the par value thereof, which resulted in a net effective interest rate of 4.883653%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

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

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND INSURANCE

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 an exhibit 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: www.bambonds.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of 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 pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles>. BAM will produce a Credit Profile for all

bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insights 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.

RATINGS

The Bonds are expected to receive an insured rating of “AA” from S&P solely in reliance upon the issuance of the Policy for the Bonds by BAM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols “AAA” (the highest rating) through “D” (the lowest rating).

No application was made for a municipal bond rating on the underlying debt. Furthermore, it is not expected that the District would have been successful in receiving an investment grade rating.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The District.....	Brazoria County Municipal Utility District No. 87 (the “District”), a political subdivision of the State of Texas located within Brazoria County, Texas. See “THE DISTRICT – Description.”
The Bonds.....	The District is issuing \$3,000,000 Unlimited Tax Road Bonds, Series 2026 (the “Bonds”). The Bonds are dated September 1, 2026 and mature on September 1 in the years and amounts set forth on the inside cover page hereof. Interest accrues from the date of the initial delivery of the Bonds at the rates per annum set forth on the inside cover page hereof and is payable on March 1, 2027, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS.”
Redemption	Bonds maturing on and after September 1, 2033, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2032, and on any date thereafter at a price of par plus accrued interest from the most recent Interest Payment Date to the date of redemption. See “THE BONDS – Redemption of the Bonds.”
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (as defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (as defined herein) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, each levied upon all taxable property within the District without legal limitation as to rate or amount. See “THE BONDS - Source of Payment,” and “TAX DATA - Tax Rate Calculations.”
Qualified Tax-Exempt Obligations.....	The Bonds are designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”
Outstanding Bonds	The Bonds are the District's first issuance of bonds. The District has no Outstanding Bonds.
Payment Record.....	The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring and/or constructing a road system to serve the District (the “Road System”). As this is the District’s first issuance, there is no payment record on prior bonds. The District will capitalize an amount equal to the initial eighteen

	(18) months of interest payments from the proceeds of the sale of the Bonds and will deposit such sum in the Road System Debt Service Fund. See “THE BONDS – Use and Distribution of Bond Proceeds.”
Authorized but Unissued Bonds	Voters in the District have authorized total principal amounts of unlimited tax bonds: \$430,800,000 for water, sewer and drainage facilities; \$172,400,000 for road facilities (the “Road System”); and \$29,300,000 for parks and recreational facilities. Following the issuance of the Bonds, \$169,400,000 of unlimited tax bonds will remain authorized but unissued for the Road System.
Authority for Issuance	To date, the voters in the District have authorized a total of \$172,400,000 for the Road System. The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, (ii) the Creation Order (as herein defined) and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an order (the “Bond Order”) adopted by the Board of Directors of the District on the date of the sale of the Bonds, and (iv) an election held within the District on November 8, 2022. See “THE BONDS – Authority for Issuance.”
Use of Bond Proceeds.....	A portion of the proceeds from the sale of the Bonds will be used for the construction costs set out under “THE BONDS – Use and Distribution of Bond Proceeds.” In addition, a portion of the proceeds from the Bonds will be used to pay developer interest, eighteen (18) months of capitalized interest on the Bonds, and certain other costs associated with the issuance of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.”
Municipal Bond Insurance.....	An application has also been made for the qualification of the Bonds for municipal bond insurance, but the District cannot guarantee the Bonds will qualify for municipal bond insurance. In the event the Bonds are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, all costs related to obtaining insurance will be paid by the Initial Purchaser. Any fees to be paid to the provider of the bond insurance policy (the “Bond Insurer”) as a result of said insurance <u>will be paid by the Initial Purchaser</u> . See “MUNICIPAL BOND INSURANCE.”
Ratings.....	The Bonds are expected to receive an insured rating of “AA” from S&P solely in reliance upon the issuance of the Policy for the Bonds by BAM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols “AAA” (the highest rating) through “D” (the lowest rating). No application was made for a municipal bond rating on the underlying debt. Furthermore, it is not expected that the District would have been successful in receiving an investment grade rating. See “RATINGS.”
Bond Counsel	Coats Rose, P.C., Houston, Texas.

Disclosure Counsel.....	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Municipal Advisor.....	Tierra Financial Advisors, LLC, Richmond, Texas (“Tierra”). Tierra is a wholly-owned subsidiary of D.R. Horton, Inc., the parent company of the primary developer of land in the District. See “RELATIONSHIP AMONG THE PARTIES” herein.

THE DISTRICT

Description	The District is a political subdivision of the State of Texas created by an order of the Texas Commission on Environmental Quality (the “TCEQ”) on June 30, 2022 (the “Creation Order”) as a municipal utility district created under and essential to accomplish the purposes of Section 59, Article XVI, and Section 52, Article III of the Texas Constitution, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. See “THE DISTRICT.”
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Location.....	The District consists of approximately 639.649 acres located in northeast Brazoria County, Texas. Land within the District lies within the corporate limits of the City of Iowa Colony.
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Developer and Principal Landowner	The developer and principal landowner of the land within the District, as of January 1, 2026, is D.R. Horton-Texas, Ltd. (“D.R. Horton-Texas” or the “Developer”), a Texas limited partnership and a wholly owned subsidiary of D.R. Horton, Inc. (“D.R. Horton”). D.R. Horton is a public company whose common stock is traded on the New York Stock Exchange under the symbol “DHI.” D.R. Horton has been the largest homebuilder by volume in the United States since 2002. Founded in 1978 in Fort Worth, Texas, D.R. Horton has operations in 126 markets in thirty-six (36) states across the United States. For the trailing twelve months ended March 31, 2026, D.R. Horton’s homebuilding operations closed 83,832 homes. Consolidated revenues for the same twelve-month period exceeded \$33.3 billion. The Developer is actively developing the Caldwell Crossing and Caldwell Lakes developments, both single family residential communities located inside the District.
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Approximately 155.898 acres located within Caldwell Lakes Sections 3-7 are currently owned by 608 Colony Investments, Ltd., a Texas limited partnership, and approximately 49.535 acres located within Caldwell Crossing Sections 5 and 6 are currently owned by Caldwell Developers, Inc., a Texas corporation, each of which is serving as a landbank for the Developer with respect to the development of those sections within the District.

See “PRINCIPAL LANDOWNERS/DEVELOPERS.”

Development within the District.....	The District is being developed as Caldwell Crossing and Caldwell Lakes, both single family residential communities.
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Development in Caldwell Crossing and Caldwell Lakes currently includes 751 single-family residential lots on approximately 288 acres. At ultimate, Caldwell Crossing and Caldwell Lakes will be a total of 1,502 single-family residential lots. As of June 1, 2026, Caldwell Crossing and Caldwell Lakes consisted of 281 completed homes, 28 homes under construction (55 contracted for sale), and 442 vacant developed lots.

In addition to the development described above, D.R. Horton is currently constructing a recreation center, which has a pool,

restrooms and open spaces on approximately 11.4 acres in Caldwell Crossing and Caldwell Lakes. Caldwell Crossing and Caldwell Lakes includes approximately 137.64 developable acres that have not been provided with water distribution, sanitary sewer and storm drainage facilities. The remainder of Caldwell Crossing and Caldwell Lakes is comprised of approximately 160.90 acres of street right-of-way, easements, drainage, floodway, open spaces and utility sites, including the 2.7 acres in Caldwell Crossing and 2.0 acres in Caldwell Lakes devoted to the recreation center. See “DEVELOPMENT OF THE DISTRICT – Status of Development within the District.”

Homebuilders	D.R. Horton-Texas, Ltd. is currently building single-family homes in Caldwell Crossing and Caldwell Lakes. Homes in Caldwell Crossing and Caldwell Lakes range in price from approximately \$305,000 to \$384,000 and in size from approximately 1,412 to over 2,649 square feet. See “DEVELOPMENT OF THE DISTRICT – Homebuilders within the District.”
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RISK FACTORS

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD CAREFULLY REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED “RISK FACTORS” AND “RELATIONSHIP AMONG THE PARTIES” BEFORE MAKING THEIR INVESTMENT DECISION.

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2026 Assessed Valuation	\$74,020,419 ^(a)
Estimated Assessed Valuation as of March 1, 2026	\$104,830,344 ^(b)
Direct Debt:	
Outstanding Bonds (as of June 1, 2026)	\$ -
The Road Bonds	<u>\$ 3,000,000</u>
Total	\$ 3,000,000
Estimated Overlapping Debt	<u>\$ 6,889,351^(c)</u>
Total Direct and Estimated Overlapping Debt	\$ 9,889,351 ^(c)
Direct Debt Ratio:	
As a percentage of 2026 Assessed Valuation	4.05%
As a percentage of Estimated Assessed Valuation as of March 1, 2026	2.86%
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2026 Assessed Valuation	13.36%
As a percentage of Estimated Assessed Valuation as of March 1, 2026	9.43%
Utility System Debt Service Fund ^(d) (as of May 20, 2026)	\$ -
Road System Debt Service Fund ^(d) (as of May 20, 2026)	\$ -
Utility System Capital Projects Fund (as of May 20, 2026)	\$ -
Road System Capital Projects Fund (as of May 20, 2026)	\$ -
Operating Fund (as of May 20, 2026)	\$ 26,410
2025 Tax Rate:	
Utility System Debt Service	\$ -
Road System Debt Service	\$ -
Maintenance & Operations	<u>\$ 0.72</u>
Total ^(e)	\$ 0.72
Average Annual Debt Service Requirements on the Bonds (2027 – 2051)	\$ 210,448 ^(f)
Maximum Annual Debt Service Requirements on the Bonds (2051)	\$ 219,713 ^(f)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds (2027 - 2051):	
Based on 2026 Assessed Valuation at 95% Collections	\$ 0.30
Based on Estimated Assessed Valuation as of March 1, 2026 at 95% Collections	\$ 0.22
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds (2051):	
Based on 2026 Assessed Valuation at 95% Collections	\$ 0.32
Based on Estimated Assessed Valuation as of March 1, 2026 at 95% Collections	\$ 0.23

^(a) Represents the assessed valuation of all taxable property in the District as of January 1, 2026, provided by the Brazoria County Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."

^(b) Provided by the Appraisal District as an estimated valuation of the 2026 taxable value as of March 1, 2026. Such value is subject to property owner protest, Appraisal District review and downward revision prior to certification. See "TAX DATA" and "TAXING PROCEDURES."

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

^(d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund or the Utility Debt Service Fund. Although all of the District's unlimited tax bonds are payable from an ad valorem tax levied without legal limit as to rate or amount, the proceeds of such tax allocable to road facilities are deposited into the Road System Debt Service Fund and pledged to the payment of debt service on the Bonds and any additional bonds issued by the District for the purpose of acquiring or constructing the Road System. The funds in the Road System Debt Service Fund are not pledged to, and will not be used to pay, debt service on bonds issued for the Utility System or any other purpose. Upon the issuance of the Bonds, eighteen (18) months of capitalized interest will be deposited into the Road System Debt Service Fund.

^(e) See "TAX DATA – Tax Rate Calculations."

^(f) See "DISTRICT DEBT – Combined Debt Service Requirement Schedule."

OFFICIAL STATEMENT

relating to

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT No. 87

(A Political Subdivision of the State of Texas, located within Brazoria County, Texas)

\$3,000,000

**Unlimited Tax Road Bonds,
Series 2026**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Brazoria County Municipal Utility District No. 87 (the “District”) of its \$3,000,000 Unlimited Tax Road Bonds, Series 2026 (the “Bonds”).

The Bonds are issued and sold to the initial purchaser of the Bonds (the “Initial Purchaser”) pursuant to (i) Article III, Section 52 of the Texas Constitution, (ii) an order of the Texas Commission on Environmental Quality (the “TCEQ”) on June 30, 2022 creating the District (the “Creation Order”), and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an order (the “Bond Order”) adopted by the Board of Directors of the District on the date of the sale of the Bonds, and (iv) an election held within the District on November 8, 2022.

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046, or during the offering period from the District’s Municipal Advisor, Tierra Financial Advisors, LLC, Attn: Chris Prugar, 6744 Horton Vista Drive, Richmond, Texas 77407 upon payment of reasonable copying, mailing and handling charges.

RELATIONSHIP AMONG THE PARTIES

Tierra Financial Advisors, LLC, serves as municipal advisor to the District (the “Municipal Advisor”) and is a wholly owned subsidiary of D.R. Horton, Inc. (“D.R. Horton”), the parent company of D.R. Horton-Texas, Ltd. (“D.R. Horton-Texas” or the “Developer”). The District was created on June 30, 2022 at the request of the Developer to facilitate development in the District. The Developer currently owns approximately 9.79% of the total taxable assessed value of property in the District. See “DEVELOPMENT OF THE DISTRICT,” “PRINCIPAL LANDOWNERS/DEVELOPERS” and “TAX DATA – Principal Taxpayers.” A portion of the proceeds of the Bonds will be used to reimburse the Developer for expenditures incurred in connection with the development of infrastructure in the District. See “THE BONDS – Use and Distribution of Bond Proceeds.” No employees of D.R. Horton or D.R. Horton-Texas are members of the Board of the District and the Municipal Advisor is subject to federal laws and regulations that require it to disclose, manage and mitigate conflicts of interest consistent with its fiduciary duties to the District.

RISK FACTORS

General

The Bonds, are obligations solely of the District and not of the State of Texas, Brazoria County, Texas, the City of Iowa Colony, Texas, or any political subdivision other than the District, and will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation

of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See “DEVELOPMENT OF THE DISTRICT,” “TAX DATA,” and “TAXING PROCEDURES.”

Factors Affecting Taxable Values and Tax Payment

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District other than that of which has occurred to date.

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to the City of Houston, Texas that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District. The competitive position of the Developer or the principal landowners in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

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

Dependence on Principal Taxpayers and the Developer: The top ten principal taxpayers represent \$14,675,515 or 19.83% of the 2026 Certified Assessed Valuation, which represents ownership as of January 1, 2026. The Developer owns approximately \$9,015,890 or 12.18% of the 2026 Assessed Valuation of property located within the District. If these or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District’s debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See “TAX DATA – Principal Taxpayers” and “TAXING PROCEDURES – Levy and Collection of Taxes.”

Maximum Impact on District Tax Rates: The value of the land and improvements currently within the District will be the major determinant of the ability of the District to collect and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District’s 2026 Assessed Valuation is \$74,020,419 (see “TAX DATA”), reflecting the District’s certified 2026 tax roll supplied to the District by the Brazoria County Appraisal District (the “Appraisal District”). Estimated Assessed Valuation as of March 1, 2026, supplied by the Appraisal District is \$104,830,344.

The Bonds constitute the District’s first series of unlimited tax bonds. The maximum annual debt service on the Bonds is \$219,713. To pay the maximum annual debt service, the District must levy a tax rate of \$0.32 per \$100 to pay such debt service at a 95% tax collection rate based on the District’s 2026 Assessed Valuation, and the District must levy a tax rate of \$0.23 per \$100 of assessed valuation to pay such debt service at a 95% tax collection rate based on the Estimated Assessed Valuation as of March 1, 2026. The average annual debt service on the Bonds is \$210,448. To pay the average annual debt service, the District must levy a tax rate of \$0.30 per \$100 to pay such debt service at a 95% tax collection rate based on the 2026 Assessed Valuation, and the District must levy a tax rate of \$0.22 per \$100 to pay such debt service at a 95% tax collection rate based on the Estimated Assessed Valuation as of March 1, 2026. In 2025, the District levied a maintenance tax of \$0.72 per \$100 of assessed valuation.

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

As is enumerated in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District’s rate, is \$3.038191 per \$100 of Assessed Valuation. Such aggregate rate is higher than the aggregate tax levies of many municipal utility districts in the Houston, Texas (“Houston”) metropolitan area, including the area of the District, but is within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

Dependence on the Oil and Gas Industry

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in an ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

Competitive Nature of Residential Housing Market

The residential housing industry in the Houston metropolitan area is very competitive, and the District can give no assurance that the building programs which are planned by any homebuilders will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or homebuilders which might attempt future home building or development projects in the District, the sale of developed lots or in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Tax Collection 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 state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer’s right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers’ right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See “TAXING PROCEDURES.”

Bondholders’ Remedies

In the event of default in the payment of principal of or interest on the Bonds, the registered holders of the Bonds (“Bondholders”) have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not provide for remedies to protect and enforce the interests of the Bondholders. 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. Based on recent Texas court

decisions, it is unclear whether, §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if the Bondholders could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Bondholders cannot themselves foreclose on property within the District or sell property of the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Bondholders would have to initiate and finance the legal process to enforce their remedies. SEE "THE BONDS-Bondholders' Remedies and Bankruptcy Limitation to Bondholders' Rights."

Bankruptcy Limitation to Bondholders' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas 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. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the 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 the 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 applicable, the concomitant delay and loss of remedies to the Bondholder could potentially and adversely impair the value of the Bondholder's claim.

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Beneficial Owners' claims against the District.

The District may not be placed into bankruptcy involuntarily. SEE "THE BONDS-Bondholders' Remedies and Bankruptcy Limitation to Bondholders' Rights."

Marketability

The District has no understanding with the Initial Purchaser of the Bonds 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 for 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. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

At an election held within the District on November 8, 2022, voters of the District authorized the District's issuance of the total principal amounts of unlimited tax bonds: \$430,800,000 for water, sewer and drainage facilities (the "Utility System"); \$172,400,000 for the Road System and \$29,300,000 for parks and recreational facilities (the "Park Facilities").

The Bonds represent the first series of bonds issued by the District for the purpose of acquiring or constructing the Road System. After issuance of the Bonds, the principal amounts of unlimited tax bonds remaining authorized but unissued are: \$430,800,000 for the Utility System, \$169,400,000 for the Road System and \$29,300,000 for the Park Facilities. The District may issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations. See "THE BONDS – Issuance of Additional Debt."

The District's issuance of any remaining authorized unlimited tax bonds for the Utility System and any authorized unlimited tax bonds for the Park Facilities shall be subject to approval by the TCEQ.

Following the issuance of the Bonds, the District will owe the Developer approximately \$68 million for the existing Utility System, the Road System and Park Facilities. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The District does not intend to issue any additional unlimited tax bonds in the current calendar year. See “THE BONDS-Issuance of Additional Debt.”

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

Severe Weather Events

The Texas Gulf Coast area is subject to occasional severe tropical 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 Texas Gulf Coast area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. “500 year flood” events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

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

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

Potential Impact of Natural Disaster

The District could be impacted by wide-spread fires, earthquakes, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District’s tax rates.

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

Changes in Tax Legislation

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

Bond Insurance Risk Factors

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

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

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

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

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

Neither the District nor the Initial Purchaser have made independent investigation into the claims paying ability of BAM and no assurance or representation regarding the financial strength or projected financial strength of BAM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of BAM, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein for further information provided by BAM and the Policy, which includes further instructions for obtaining current financial information concerning BAM.

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THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. Copies of the Bond Order may be obtained from the District upon written request made to the District’s Municipal Advisor, Tierra Financial Advisors, LLC, 6744 Horton Vista Drive, Richmond, Texas 77407. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated September 1, 2026, and will mature on September 1 in the years and in the principal amounts indicated on the inside cover page hereof. The Bonds will accrue interest from the date of their initial delivery (the “Delivery Date”), at the stated interest rates indicated on the inside cover page hereof. Interest on the Bonds is payable on March 1, 2027, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until maturity or prior redemption. The Bonds will be issued as fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof. Principal of the Bonds will be payable to a Bondholder thereof at maturity or earlier redemption upon presentation of Bonds at the principal payment office of Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to Bondholders as shown on the records of the Paying Agent/Registrar on the 15th day (whether or not a business day) of the calendar month next preceding each Interest Payment Date (the “Record Date”), or by other such customary banking arrangements as may be acceptable to the Paying Agent/Registrar and the Bondholder at the expense and risk of the Bondholder.

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 directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described below under “Book-Entry-Only System.”

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee’s name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Municipal Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and 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 procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “Banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“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. 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 from S&P Global Ratings of AA+. 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, who will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Certificate (“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 Bonds 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds 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/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct

Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District or the Municipal Advisor take any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

Use of Certain Terms in Other Sections of this Official Statement

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

Funds

The Bond Order creates the District's fund for debt service on the Bonds and any additional unlimited tax bonds issued by the District. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional unlimited tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and any of the District's other duly authorized bonds payable in whole or in part from taxes. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/ Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Successor Paying Agent/Registrar

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

Registration, Transfer and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Bondholder. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Bondholder or assignee of the Bondholder within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part,

beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption of the Bonds

The Bonds maturing on September 1, 2033, and thereafter are subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2032, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Bondholder of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Bondholder of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Replacement of Bonds

In the event the Book-Entry-Only system is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to hold them harmless. The District or the Paying Agent/Registrar may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

At an election held within the District on November 8, 2022, voters of the District authorized the District's issuance of the total principal amounts of unlimited tax bonds: \$430,800,000 for the Utility System; \$172,400,000 for the Road System and \$29,300,000 for the Park Facilities.

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, (ii) the Creation Order and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) the Bond Order, and (iv) an election held within the District on November 8, 2022.

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the District payable as to principal and interest from the proceeds of a continuing direct annual ad valorem tax levied upon each \$100 valuation of taxable property located within the District, without legal limitation as to rate or amount to the extent and subject to conditions described herein. In the Bond Order, the District covenants to levy a sufficient tax to pay, along with other sources legally available for such purposes, the principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, and certain fees. Tax proceeds, after deduction for collection costs, will be placed in the Road System Debt Service Fund and used solely to pay principal of and interest on the Bonds and Paying Agent fees and expenses with respect to the Bonds.

The Bonds are obligations solely of the District and are not the obligations of the State of Texas, Brazoria County, Texas, the City of Iowa Colony, Texas, or any entity other than the District.

Issuance of Additional Debt

The District may issue additional bonds with the approval of the TCEQ (with respect to the bonds for the Utility System or for parks and recreation) necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the following total principal amounts of unlimited tax bonds: \$430,800,000 for the Utility System; \$172,400,000 for the Road System and \$29,300,000 for the Park Facilities.

The Bonds represent the first series of bonds issued by the District for the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$430,800,000 for the

Utility System, \$169,400,000 for the Road System and \$29,300,000 for the Park Facilities. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds for the Utility System or for parks and recreation, approved by the TCEQ).

Following the issuance of the Bonds, the District will owe the Developer approximately \$68 million for the existing Utility System, the Road System and the Park Facilities.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The District has not considered the preparation of a parks bond application at this time. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District; however, the outstanding principal amount of such bonds may exceed one percent (1%) but not three percent (3%) of the value of the taxable property in the District if the District has (i) a ratio of debt to certified assessed valuation of ten percent (10%) or less; (ii) a credit rating that conforms to the TCEQ rules; (iii) a credit enhanced rating on the District's bond issue that conforms to the TCEQ rules; or (iv) a contract with a political subdivision or an entity acting on behalf of a political subdivision under which the subdivision or the entity agrees to provide to the District taxes or other revenues, as consideration for the District's development or acquisition of the facility, including a contract under Section 49.108 of the Texas Water Code, as amended.

The District does not intend to issue any additional unlimited tax bonds in the current calendar year.

Consolidation

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

No Arbitrage

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

Defeasance

The Bond Order provides that the District may discharge its obligations to the Bondholders 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 of (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable

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

Upon such deposit as described above, such Bonds shall no longer be regarded 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 a manner which would permit other investments to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Bondholders may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as currently permitted under Texas law. There is also no assurance that any investment held for such discharge will maintain its rating.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Bondholders' Remedies

The Bond Order contains a covenant that while any part of the Bonds is outstanding, there shall be assessed, levied, and collected a direct, continuing, annual ad valorem tax, without legal limit as to rate or amount, on all taxable property within the District, sufficient to pay principal of and interest on the Bonds issued for the Road System, and any additional tax bonds when due and to pay the expenses necessary in collecting taxes. Texas law and the Bond Order provide that in the event that the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make debt service payments, or defaults in the observance or performance of any of the

covenants, conditions, or obligations set forth in the Bond Order, any Bondholder shall be entitled at any time to a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board to observe and perform any covenant, obligation, or condition prescribed by the Bond Order. Such right is in addition to all other rights the Bondholders may be provided by the laws of the State of Texas.

Except for mandamus, the Bond Order does not specifically provide for remedies to a Bondholder in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Bondholders. There is no acceleration of maturity of the Bonds in the event of default. Consequently, the remedy of mandamus is a remedy which may have to be relied upon from year to year by the Bondholders. Even if the Bondholders could obtain a judgment against the District, such judgment could not be enforced by direct levy and execution against the District's property. Further, the Bondholders cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Certain traditional legal remedies also may be unavailable. The enforceability of the rights and remedies of the Bondholders may be further limited by federal bankruptcy laws, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See "Bankruptcy Limitation to Bondholders' Rights" below.

Bankruptcy Limitation to Bondholders' Rights

Other than a writ of mandamus and other relief authorized by law, the Bond Order does not expressly provide a specific remedy for a default. Even if a Bondholder could obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, a Bondholder could petition for a writ of mandamus issued by a court of competent jurisdiction requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. See "RISK FACTORS – Bondholders' Remedies," and "RISK FACTORS – Bankruptcy Limitation to Bondholders' Rights."

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Use and Distribution of Bond Proceeds

A portion of the proceeds from the sale of the Bonds will be used to reimburse the Developer for the construction costs set out below. In addition, a portion of the proceeds from the Bonds will be used to pay developer interest, eighteen (18) months of capitalized interest on the Bonds, and certain other costs associated with the issuance of the Bonds.

Use and Distribution of Bond Proceeds

Construction Costs

A. Developer Contribution Items

1.	Caldwell Crossing Section 1 & Bullard Parkway Street Dedication Phase I	\$ 1,538,556
2.	Engineering Fees	127,257
3.	SWPPP Fees	-
4.	Testing Fees	20,380
5.	Land Acquisition	384,946
6.	Land Carrying Costs	86,823
Total Construction Costs		\$ 2,157,962

Non-Construction Costs

1.	Legal Fees	\$ 70,000
2.	Fiscal Agent Fees	30,000
3.	Interest Costs	
a.	Developer Interest	379,374
b.	Capitalized Interest	227,972
4.	Bond Discount	60,000
5.	Bond Issuance Expenses	48,414
6.	Bond Application Costs	15,000
7.	Attorney General's Fee	3,000
8.	Contingency	8,278
Total Non-Construction Costs		\$ 842,038
Total Bond Issue Requirement		\$ 3,000,000

Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Municipal Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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THE DISTRICT

Authority

The District is a municipal utility district created by the Creation Order, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District lies within the corporate limits of the City of Iowa Colony and is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water and public roads. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities, public roads or recreational or park facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District.

Description

The District is approximately 639.649 acres located in northeast Brazoria County, Texas. The District is located in the southeast Houston metropolitan area, approximately 23 miles southeast of downtown Houston and approximately 3 miles south of the intersection of Texas State Highway 288 and Texas State Highway 6. The District lies within the corporate limits of the City of Iowa Colony.

Management of the District

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

Name	Position	Term Expires
Doug Jeffrey	President	May 2030
Austin Pace	Vice President	May 2028
Cody Wright	Secretary	May 2030
Jacob Williams	Asst. Secretary	May 2028
Michael Callegari	Asst. Secretary	May 2028

Investment Policy

The District has adopted an Investment Policy (the “Policy”) as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the “PFI Act”). The District’s goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the PFI Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service.

Consultants

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

Bond Counsel: The District has engaged Coats Rose, P.C., Houston, Texas, as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See “LEGAL MATTERS.”

Disclosure Counsel: Orrick, Herrington & Sutcliffe LLP, Houston, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Municipal Advisor: Tierra Financial Advisors, LLC is engaged as municipal advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement. Tierra Financial Advisors, LLC is a wholly owned subsidiary of D.R. Horton. See "RELATIONSHIP AMONG THE PARTIES" herein.

Tax Assessor/Collector: The tax assessor/collector for the District is Utility Tax Service, LLC (the "Tax Assessor/Collector").

Bookkeeper: The District's bookkeeper is Myrtle Cruz, Inc. (the "Bookkeeper").

Auditor: The District engaged McCall Gibson Swedlund Barfoot Ellis PLLC to audit its financial statements for the fiscal year ended August 31, 2025. See "APPENDIX A – Financial Statements of the District."

Engineer: The District's engineer is LJA Engineering and Surveying, Inc. (the "Engineer").

DEVELOPMENT OF THE DISTRICT

Status of Development within the District

The District is being developed as Caldwell Crossing and Caldwell Lakes, both single family residential communities.

Development in Caldwell Crossing and Caldwell Lakes currently includes 751 single-family residential lots on approximately 288 acres. At ultimate, Caldwell Crossing and Caldwell Lakes will be a total of 1,502 single-family residential lots. As of June 1, 2026, Caldwell Crossing and Caldwell Lakes consisted of 281 completed homes, 28 homes under construction (55 contracted for sale), and 442 vacant developed lots.

In addition to the development described above, D.R. Horton is currently constructing a recreation center, which has a pool, restrooms and open spaces on approximately 11.4 acres in Caldwell Crossing and Caldwell Lakes. Caldwell Crossing and Caldwell Lakes includes approximately 137.64 developable acres that have not been provided with water distribution, sanitary sewer and storm drainage facilities. The remainder of Caldwell Crossing and Caldwell Lakes is comprised of approximately 160.90 acres of street right-of-way, easements, drainage, floodway, open spaces and utility sites, including the 2.7 acres in Caldwell Crossing and 2.0 acres in Caldwell Lakes devoted to the recreation center.

Homebuilders within the District

D.R. Horton-Texas, Ltd. is currently building single-family homes in Caldwell Crossing and Caldwell Lakes. Homes in Caldwell Crossing and Caldwell Lakes range in price from approximately \$305,000 to \$384,000 and in size from approximately 1,412 to over 2,649 square feet.

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PHOTOGRAPHS OF THE DISTRICT

Caldwell Crossing
As of May 2026



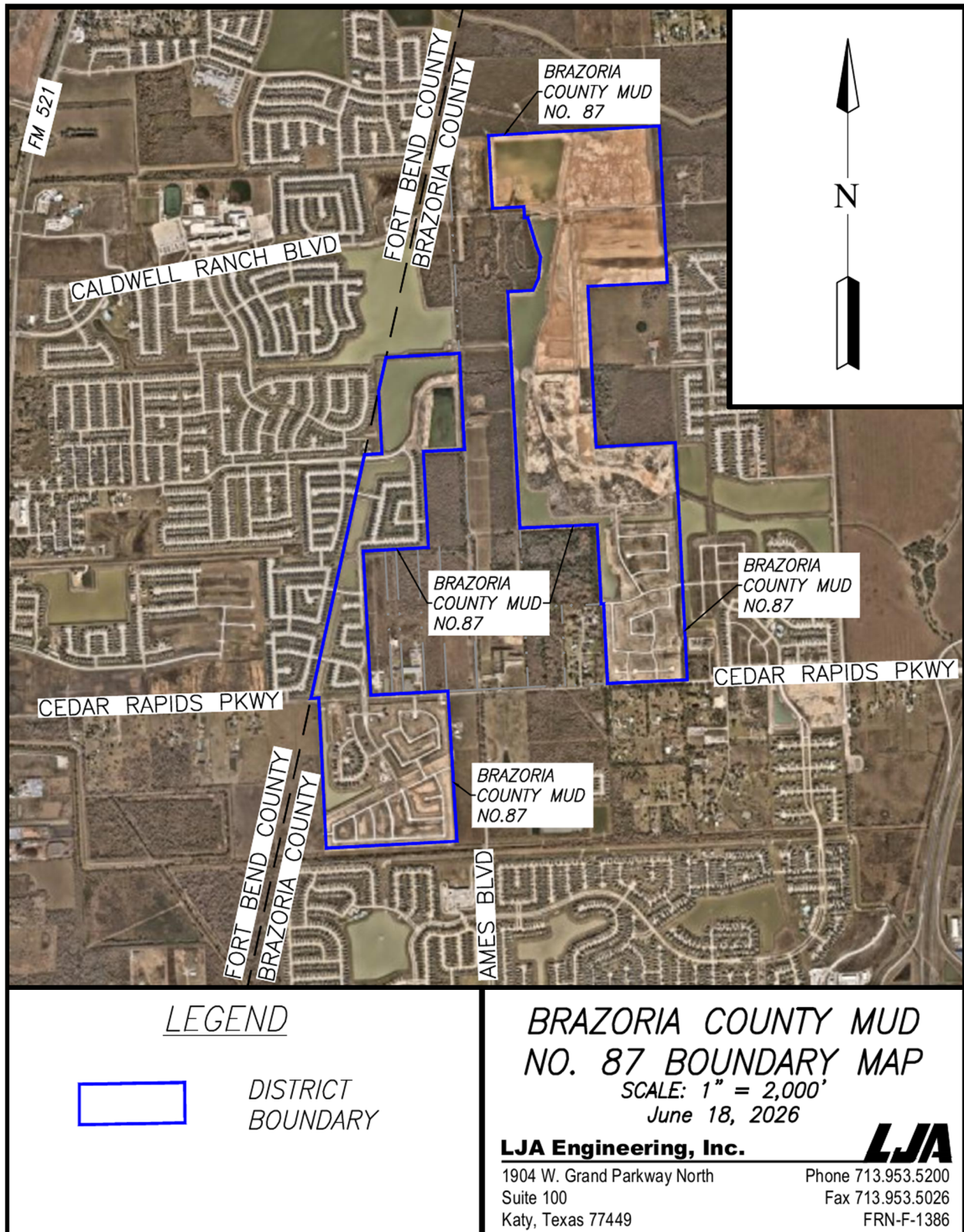
Caldwell Crossing
As of May 2026



Caldwell Lakes
As of May 2026



AERIAL MAP OF THE DISTRICT



PRINCIPAL LANDOWNERS/DEVELOPERS

Role of the Developer

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

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Neither the Developer, nor any affiliate entities, are obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developer, nor any affiliate entities, have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

The Developer and Principal Landowner

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

Approximately 155.898 acres located within Caldwell Lakes Sections 3-7 are currently owned by 608 Colony Investments, Ltd., a Texas limited partnership, which is serving as a traditional landbank for the Developer with respect to that acreage. Under that arrangement, 608 Colony Investments, Ltd. holds title to the land and the Developer has the right to acquire the property over time; 608 Colony Investments, Ltd. has no obligation to develop the land prior to conveyance to the Developer.

Approximately 49.535 acres located within Caldwell Crossing Sections 5 and 6 are currently owned by Caldwell Developers, Inc., a Texas corporation, which is serving as a landbank for the Developer with respect to that acreage. Caldwell Developers, Inc. has entered into a reimbursement agreement with the District pursuant to which it is entitled to receive District reimbursements for the cost of constructing certain facilities serving those sections. The parties anticipate that the Developer will purchase all approximately 191 finished lots in Caldwell Crossing Sections 5 and 6 from Caldwell Developers, Inc. in three closings, and that at each closing Caldwell Developers, Inc. will assign to the

Developer a pro-rata portion of the District reimbursement rights associated with the purchased lots, such that upon completion of all closings, 100% of the reimbursement rights will have been conveyed to the Developer. The reimbursement agreement between Caldwell Developers, Inc. and the District is intended to protect Caldwell Developers, Inc. in the event the Developer does not complete all lot purchases

Certain financial information concerning D.R. Horton-Texas is included as part of the consolidated financial statements of D.R. Horton. However, D.R. Horton is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by D.R. Horton-Texas, or to pay any other obligations of the District.

Further, neither the Developer nor its parent company is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor its parent company has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer and its parent company is subject to change at any time. Because of the foregoing, financial information concerning the Developer and its parent company will neither be updated nor provided following issuance of the Bonds.

THE UTILITY SYSTEM

Regulation

According to the District's Engineer, the Utility System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Iowa Colony, Brazoria County, Brazoria County Drainage District No. 4, and Brazoria County Drainage District No. 5.

The District lies within the corporate limits of the City of Iowa Colony, Texas and is subject to the continuing supervisory jurisdiction of the TCEQ.

Operation of the Utility System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The total number of equivalent single-family connections (ESFCs) estimated at this time for the District upon the full development of its approximately 639.649 acres is approximately 1,528. The following descriptions are based upon information supplied by the District's Engineer.

Water Supply

Groundwater: The District currently obtains its water from capacity purchased from Brazoria-Fort Bend Counties MUD No. 3's (BFB MUD 3) water plant, which uses groundwater. The District entered into an Interim Water Supply Agreement dated June 10, 2025 to purchase a total of 332 ESFCs on an interim basis while the District completes construction of its water treatment plant. The District will continue to purchase water from BFB MUD 3 until its own wells are online.

The District proposes to obtain its water from its own water supply plant (Well No. 1) and a remote well (Well No. 2) once they are fully constructed and the water quality meets all TCEQ standards for drinking water. The remote well is estimated to be online in October 2026 which will serve 1,500 ESFCs. The water supply plant site (Well No. 1) is estimated to be online in December 2026 and will bring the ultimate capacity of the District to 2,500 ESFCs and this total capacity is sufficient to serve the entire District. After completion of the District's water treatment plant, the District will convey said plant to the City of Iowa Colony for ownership and maintenance.

Surface Water: This District lies within the boundaries of the Brazoria County Groundwater Conservation District (BCGCD). The BCGCD regulates groundwater withdrawal via annual permit which authorizes the District to pump groundwater.

Wastewater Treatment

The District has constructed a 250,000 GPD package wastewater treatment plant ("Package Plant") located within the District to serve 1,136 ESFCs, and is leased from AUC Group, L.P. The District is currently in the process of conveying the Package Plant to the City of Iowa Colony for operation and maintenance. The District entered into a Cost Sharing Agreement for Northwest Regional Wastewater Treatment Plant (Agreement) with City of Iowa Colony

(COIC), Brazoria County Municipal Utility District No. 31 (BC MUD 31), and Brazoria County District No. 38 (BC MUD 38) effective December 9, 2024. The Agreement states COIC will construct a 750,000 GPD permanent regional wastewater treatment plant, of which 1,509 ESFCs are allotted to the District. The development currently proposes 1,528 ESFCs at build out and the District will purchase the approximate 19 ESFCs from COIC to serve the District at full build out. When the permanent wastewater treatment plant comes online, the 250,000 GPD Package Plant will no longer serve the District and the District will be fully serviced through the permanent regional wastewater treatment plant.

Storm Water Drainage

Natural Drainage: In an undeveloped state, the land within the District sheet flows in an east-southeast direction towards the West Fork of Chocolate Bayou.

Drainage System Improvements: Detention ponds were constructed within the District to collect stormwater runoff from the District and to provide an outfall for internal storm sewer system. The detention ponds ultimately outfall into the West Fork of Chocolate Bayou and Chocolate Bayou ultimately outfalls into the Galveston Bay.

Groundwater Conservation District

The District lies within the Brazoria County Groundwater Conservation District (“BCGCD”).

100-Year Flood Plain

The District is mostly outside the 100-year floodplain according to Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM) Panels 48039C0105K dated December 30, 2020. There is approximately 10.2 acres of land within the 100-year floodplain that has been filled above the 100-year floodplain and will be brought out of the 100-year floodplain with a Letter of Map Revision Based on Fill (LOMR-F). The LOMR-F is scheduled to be submitted to FEMA in September 2026 and should be approved before the end of the 2026 year.

THE ROAD SYSTEM

The road system currently includes two collector roads named Bullard Parkway and Alloy Road. Bullard Parkway will ultimately connect on the west side of the Development to Southern Colony Avenue and will connect east to CR 383. Alloy Road will ultimately connect on the west side of the Development to Caldwell Ranch Blvd and will connect east to CR 383. These collector roads along with the multiple connections to CR 57 will provide access to and from the District.

Internal circulation within the different subdivisions is provided by local streets connecting to Bullard Parkway, Alloy Road, and CR 57.

All streets throughout the District have been designed and constructed according to the design criteria and specifications established by the City of Iowa Colony. Streets have been constructed with reinforced concrete pavement with curbs on lime stabilized subgrade. All roads are maintained by the City upon acceptance into its maintenance program.

GENERAL FUND OPERATING STATEMENT

The following is a summary of the District's general fund activity for the fiscal year ended August 31, 2025 through April 30, 2026. Fiscal year 2025 are audited financials. The period from September 1, 2025 through April 30, 2026 has been prepared by the Bookkeeper. Reference is made to such statements for further and more complete information. See "APPENDIX A – Financial Statements of the District."

General Fund Revenues, Expenditures and Changes in Fund Balance for Fiscal Year Ending

	<u>9/1/2025-</u> <u>4/30/2026^(a)</u>	<u>2025</u>
Revenues:		
Property Taxes	\$210,000	\$27,521
Investment and Miscellaneous Revenue	\$141	\$100
TOTAL REVENUES	\$210,141	\$27,621
Expenditures:		
Service Operations		
Professional fees	\$85,985	\$60,028
Contracted Services	\$6,100	\$23,173
Purchased Water Service	\$174,539	\$128,441
Purchased Wastewater Service	\$0	\$26,584
Utilities	\$0	\$240
Repairs and Maintenance	\$130,639	\$117,623
Other	\$527,964	\$202,623
Debt Service		
Lease Principal	\$152,077	\$84,487
Lease Interest	\$118,733	\$65,960
TOTAL EXPENDITURES	\$1,196,036	\$709,159
Excess (Deficiency) of Revenues Over Expenditures	(985,896)	(681,538)
OTHER FINANCING SOURCES		
Developer Advances	\$1,250,000	\$500,000
Net Change in Fund Balance	\$264,104	(\$181,538)
Beginning Fund Balance	(\$152,078)	\$29,460
Ending Fund Balance	\$112,026	(\$152,078)

^(a) Unaudited. Provided by the District's bookkeeper.

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DISTRICT DEBT

2026 Assessed Valuation	\$74,020,419 ^(a)
Estimated Assessed Valuation as of March 1, 2026	\$104,830,344 ^(b)
Direct Debt:	
Outstanding Bonds (as of June 1, 2026)	\$ -
The Road Bonds	<u>\$ 3,000,000</u>
Total	\$ 3,000,000
Estimated Overlapping Debt	<u>\$ 6,889,351^(c)</u>
Total Direct and Estimated Overlapping Debt	\$ 9,889,351 ^(c)
Direct Debt Ratio:	
As a percentage of 2026 Assessed Valuation	4.05%
As a percentage of Estimated Assessed Valuation as of March 1, 2026	2.86%
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2026 Assessed Valuation	13.36%
As a percentage of Estimated Assessed Valuation as of March 1, 2026	9.43%
Utility System Debt Service Fund ^(d) (as of May 20, 2026)	\$ -
Road System Debt Service Fund ^(d) (as of May 20, 2026)	\$ -
Utility System Capital Projects Fund (as of May 20, 2026)	\$ -
Road System Capital Projects Fund (as of May 20, 2026)	\$ -
Operating Fund (as of May 20, 2026)	\$ 26,410
2025 Tax Rate:	
Utility System Debt Service	\$ -
Road System Debt Service	\$ -
Maintenance & Operations	<u>\$ 0.72</u>
Total ^(e)	\$ 0.72
Average Annual Debt Service Requirements on the Bonds (2027 – 2051)	\$ 210,448 ^(f)
Maximum Annual Debt Service Requirements on the Bonds (2051)	\$ 219,713 ^(f)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds (2027 - 2051):	
Based on 2026 Assessed Valuation at 95% Collections	\$ 0.30
Based on Estimated Assessed Valuation as of March 1, 2026 at 95% Collections	\$ 0.22
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds (2051):	
Based on 2026 Assessed Valuation at 95% Collections	\$ 0.32
Based on Estimated Assessed Valuation as of March 1, 2026 at 95% Collections	\$ 0.23

^(a) Represents the assessed valuation of all taxable property in the District as of January 1, 2026, provided by the Brazoria County Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."

^(b) Provided by the Appraisal District as an estimated valuation of the 2026 taxable value as of March 1, 2026. Such value is subject to property owner protest, Appraisal District review and downward revision prior to certification. See "TAX DATA" and "TAXING PROCEDURES."

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

^(d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund or the Utility Debt Service Fund. Although all of the District's unlimited tax bonds are payable from an ad valorem tax levied without legal limit as to rate or amount, the proceeds of such tax allocable to road facilities are deposited into the Road System Debt Service Fund and pledged to the payment of debt service on the Bonds and any additional bonds issued by the District for the purpose of acquiring or constructing the Road System. The funds in the Road System Debt Service Fund are not pledged to, and will not be used to pay, debt service on bonds issued for the Utility System or any other purpose. Upon the issuance of the Bonds, eighteen (18) months of capitalized interest will be deposited into the Road System Debt Service Fund.

^(e) See "TAX DATA – Tax Rate Calculations."

Debt Service Requirements

The following schedule sets forth the principal and interest requirements on the Bonds.

Year Ending 12/31	The Bonds ^(a)			Total Debt Service
	Principal	Interest	Debt Service	
2026	\$ -	\$ -	\$ -	\$ -
2027	-	148,182	148,182	148,182
2028	65,000	151,981	216,981	216,981
2029	70,000	147,431	217,431	217,431
2030	70,000	142,531	212,531	212,531
2031	75,000	137,631	212,631	212,631
2032	80,000	132,381	212,381	212,381
2033	85,000	126,781	211,781	211,781
2034	90,000	120,831	210,831	210,831
2035	95,000	114,531	209,531	209,531
2036	100,000	109,069	209,069	209,069
2037	105,000	104,069	209,069	209,069
2038	110,000	98,819	208,819	208,819
2039	115,000	93,869	208,869	208,869
2040	120,000	88,694	208,694	208,694
2041	125,000	83,294	208,294	208,294
2042	135,000	77,669	212,669	212,669
2043	140,000	71,594	211,594	211,594
2044	150,000	65,294	215,294	215,294
2045	155,000	58,544	213,544	213,544
2046	165,000	51,569	216,569	216,569
2047	170,000	43,938	213,938	213,938
2048	180,000	36,075	216,075	216,075
2049	190,000	27,750	217,750	217,750
2050	200,000	18,963	218,963	218,963
2051	210,000	9,713	219,713	219,713
Total	\$ 3,000,000	\$ 2,261,200	\$ 5,261,200	\$ 5,261,200

^(a) The District has not previously issued debt.

Average Annual Debt Service Requirements on Outstanding Bonds and the Bonds (2027 - 2051)	\$ 210,448
Maximum Annual Debt Service Requirements on Outstanding Bonds and the Bonds (2051)	\$ 219,713

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Direct and Estimated Overlapping Debt Statement

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

Brazoria County

Taxing Jurisdiction	Outstanding Debt June 1, 2026 ^(b)	Overlapping	
		Percent	Amount
Brazoria County	\$ 100,855,000	0.12%	\$ 117,728
Alvin College	46,170,000	0.33%	151,402
City of Iowa Colony	39,885,000	4.92%	1,963,007
Alvin Independent School District	1,002,700,000	0.46%	4,657,213
Total Estimated Overlapping Debt			\$ 6,889,351
District Debt ^(a)			\$ 3,000,000
Total Direct & Estimated Overlapping Debt ^(a)			\$ 9,889,351

^(a) Includes the Bonds.

^(b) Source: Texas MAC.

Debt Ratios

Ratio of Direct Debt:

As a Percentage of 2026 Assessed Valuation.....	4.05%
As a percentage of Estimated Assessed Valuation as of March 1, 2026	2.86%

Ratio of Direct and Estimated Overlapping Debt:

As a Percentage of 2026 Assessed Valuation.....	13.36%
As a percentage of Estimated Assessed Valuation as of March 1, 2026	9.43%

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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, and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. In the Bond Order, the District agrees to levy such a tax from year to year as described more fully above under “THE BONDS – Source of Payment.” Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District for the payment of certain contractual obligations. See “TAX DATA – Tax Rate Limitation.”

Property Tax Code and County-Wide Appraisal District

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

The Property 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 Appraisal District has the responsibility of appraising property for all taxing units within Brazoria County, including the District. Such appraisal values will be subject to review and change by the Brazoria County Appraisal Review Board (the “Appraisal Review Board”). The appraisal rolls, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, 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; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of one hundred percent (100%) is entitled to an exemption for the full value of the veteran’s residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the 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 at no cost to the veteran. This exemption applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. 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 is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Property 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 District has not adopted any general residential homestead exemption or any over-65/disabled-person exemption from ad valorem taxation.

Freeport Goods and Goods-in-Transit Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within one hundred seventy-five (175) days. Freeport goods are exempt from taxation by the District. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax year 2016 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory. For tax year 2016 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. The District has taken action to tax Goods-in-Transit. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

Tax Abatement

The City of Iowa Colony, Texas, and Brazoria County, Texas, as appropriate, under Chapter 312, Texas Tax Code may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Iowa Colony, Texas, and Brazoria County, Texas may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

At this time, neither the City of Iowa Colony, Texas, nor Brazoria County, Texas, has designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

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

The Property 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 Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property 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 Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three 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% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

Unless extended by the Legislature, through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5.32 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of 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 comply 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, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional twenty percent (20%) penalty for collection costs. A delinquent tax on personal property incurs an additional twenty percent (20%) penalty, 60 days after the date the taxes become delinquent (April 1). 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, may be rejected.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Low Tax Rates Districts." 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 are classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations is described for each classification below. Debt service cannot be reduced by a rollback election held within any of the districts described below.

Low Tax Rate Districts

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the 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 maintenance and operations tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor or the President (herein defined), alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the maintenance and operations tax threshold applicable to Low Tax Rate Districts.

Developing Districts

Districts that do not meet the classification of a Low Tax Rate District or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax

year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the maintenance and operations tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's maintenance and operations tax rate.

The District

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year 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 each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. 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. 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 proceeding which restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collection and Foreclosure Proceedings" and "– Bondholders' Remedies."

The ability of the District to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, the foreclosure sale price attributable to market conditions, the taxpayer's right to redeem the property within six (6) months of foreclosure (two (2) years in the case of residential or agricultural property), or by bankruptcy proceedings which restrain the collection of a taxpayer's debts or modify such debts. The Financial Institutions Reform, Recovery and Enforcement Act of 1989 contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of two annual ad valorem taxes, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. In 2025, the District levied a maintenance tax of \$0.72. This is the District's first issuance of bonds, so no debt service taxes have been previously levied.

Tax Rate Limitations

Road Debt Service:..... Unlimited (no legal limit as to rate or amount).
Maintenance and Operation General: \$1.50 per \$100 assessed taxable valuation.

Debt Service Taxes

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. As this is the District's first issuance of bonds, no debt service tax has been previously levied.

Maintenance Taxes

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. In 2025, the District levied a maintenance tax of \$0.72 per \$100 of assessed valuation.

Tax Exemption

The District has not adopted any general residential homestead exemption or any over-65/disabled-person exemption from ad valorem taxation, as authorized by Section 11.13 of the Property Tax Code.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This twenty percent (20%) penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than June 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2022 through 2025 tax years.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate/\$100</u>	<u>Adjusted Levy</u>	<u>Collections</u>	<u>% Collected Current Year</u>	<u>Tax Year Ending 9/30</u>	<u>% Collected as of 9/30</u>
2022	\$671,091	1.50	\$10,066	\$10,066	100.00%	2023	100.00%
2023	\$1,379,300	0.72	\$9,931	\$9,931	100.00%	2024	100.00%
2024	\$3,822,322	0.72	\$27,521	\$27,521	100.00%	2025	100.00%
2025	\$32,580,003	0.72	\$234,576	\$234,576	99.10%	2026	99.10%
2026 ^(a)	\$74,020,419	TBD	N/A	N/A	N/A	2027	N/A

^(a) In the process of collections

Tax Rate Distribution

The following table sets out the components of the District's tax levy for the 2022 through 2025 tax years.

	2025	2024	2023	2022
Utility System Debt Service	\$ -	\$ -	\$ -	\$ -
Road System Debt Service	-	-	-	-
Maintenance & Operations	0.72	0.72	0.72	1.50
Total	\$ 0.72	\$ 0.72	\$ 0.72	\$ 1.50

Analysis of Tax Base

The following represents the types of property comprising the District assessed taxable value for the 2022 through 2026 tax years.

Type of Property	2026 Assessed Valuation	2025 Assessed Valuation	2024 Assessed Valuation	2023 Assessed Valuation	2022 Assessed Valuation
Land	\$ 35,018,210	\$ 20,934,590	\$ 3,598,390	\$ 1,266,210	\$ 536,600
Improvements	42,557,740	14,053,590	335,570	113,090	135,550
Personal Property	122,910	-	-	-	-
Exemptions	(3,678,441)	(2,408,177)	(111,638)	-	(1,059)
Total	\$ 74,020,419	\$ 32,580,003	\$ 3,822,322	\$ 1,379,300	\$ 671,091

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2026.

Taxpayer	Type of Property	Assessed Valuation 2026 Tax Roll	Percent of District 2026 Value
D.R. Horton-Texas, Ltd. ^(a)	Vacant / Inventory	\$ 9,015,890	12.18%
608 Colony Investments LTD	Vacant / Inventory	1,788,115	2.42%
Caldwell Developers Inc.	Vacant / Inventory	684,170	0.92%
Individual	Single-Family	651,770	0.88%
Individual	Single-Family	513,810	0.69%
Individual	Single-Family	442,430	0.60%
Individual	Single-Family	408,360	0.55%
Individual	Single-Family	392,610	0.53%
Individual	Single-Family	390,080	0.53%
Individual	Single-Family	388,280	0.52%
Total		\$ 14,675,515	19.83%

^(a) See "PRINCIPAL LANDOWNER/DEVELOPER"

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements on the Bonds if no growth in the District's tax base occurs beyond the 2026 Certified Assessed Valuation (\$74,020,419) or the Estimated Assessed Valuation as of March 1, 2026 (\$104,830,344). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds.

Combined Average Annual Debt Service Requirements (2027 - 2051).....	\$210,448
Tax Rate of \$0.30 on the 2026 Assessed Valuation produces	\$210,958
Tax Rate of \$0.22 on the Estimated Assessed Valuation as of March 1, 2026 produces ...	\$219,095
Combined Maximum Annual Debt Service Requirements (2051)	\$219,713
Tax Rate of \$0.32 on the 2026 Assessed Valuation produces	\$225,022
Tax Rate of \$0.23 on the Estimated Assessed Valuation as of March 1, 2026 produces ...	\$229,054

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, when ad valorem taxes levied by each taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT –Direct and Estimated Overlapping Debt

Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of all 2025 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdiction	2025 Tax Rate Per \$100 of Assessed Value
The District	\$ 0.720000
Alvin ISD	1.150000
City of Iowa Colony	0.519209
Brazoria County	0.262548
Alvin College	0.156543
Brazoria County Drainage District #5	0.108452
Brazoria County Emergency District #3	0.079229
Road & Bridge Fund	0.042210
Total Tax Rate for the District	\$ 3.038191

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under “TAX MATTERS.” The legal opinion of Bond Counsel will be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel.

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Tax Exemption

On the date of initial delivery of the Bonds, Coats Rose, P.C., Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986 (the “Code”)) for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022, and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in

the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

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

Collateral Federal Income Tax Consequences

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

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Qualified Tax-Exempt Obligations

The Bonds will be designated as "qualified tax-exempt obligations" for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay

the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system for such purpose.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT" (excluding the information contained under the subheading "Direct and Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending in and after August 31, 2027.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report becomes available. The District's current fiscal year end is August 31. Accordingly, it must provide updated information by the last day in February 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.

The Developer is D.R. Horton-Texas (a subsidiary of D.R. Horton). D.R. Horton is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for D.R. Horton can be found online at <https://investor.drhorton.com>. D.R. Horton is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the SEC. Reports, proxy statements and other information filed by D.R. Horton can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC. Certain financial information concerning the Developer is included as part of the consolidated financial statements of D.R. Horton. No additional disclosure will be provided by the District related to the Developer since the information is publicly available through the SEC.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (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 a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “material” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from EMMA

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

Limitations and Amendments

The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders 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 changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional 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. 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. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of such SEC Rule 15c2-12 are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertaking

The District has not previously entered into a continuing disclosure agreement under SEC Rule 15c2-12 because the Bonds constitute the District’s first issuance of bonds.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developer, the District’s records, the Engineer, the Tax Assessor/Collector, the Appraisal District, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein

are included 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.

Experts

The information contained in this Official Statement relating to engineering and to the description of “THE UTILITY SYSTEM,” “THE ROAD SYSTEM,” “THE DISTRICT – Description,” and “DEVELOPMENT OF THE DISTRICT – Status of Development within the District,” has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to development of the District and, in particular, that development information included in the sections captioned “DEVELOPMENT OF THE DISTRICT – Status of Development within the District” and “PRINCIPAL LANDOWNER/DEVELOPER” has been provided by the Developer.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned “TAX DATA” and “DISTRICT DEBT” was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector’s authority as an expert in the field of tax collection and the Appraisal District’s authority as an expert in the field of property appraisal.

Municipal Advisor

Tierra Financial Advisors, LLC, is employed as the Municipal Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Municipal Advisor, Tierra Financial Advisors, LLC has compiled and edited this Official Statement. The Municipal 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 Municipal Advisor does not guarantee the accuracy or completeness of such information. Tierra Financial Advisors, LLC, is a wholly owned subsidiary of D.R. Horton, the parent company of the Developer and principal taxpayer. See “RELATIONSHIP AMONG THE PARTIES” herein.

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of 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 Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District’s obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District’s records, audited financial statements, and other sources that are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents, and resolutions contained in this Official

Statement are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Brazoria County Municipal Utility District No. 87 as of the date shown on the cover page hereof.

/s/ Doug Jeffrey
President, Board of Directors
Brazoria County Municipal Utility District No. 87

ATTEST:

/s/ Cody Wright
Secretary, Board of Directors
Brazoria County Municipal Utility District No. 87

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87

BRAZORIA COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

AUGUST 31, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

*Chris Swedlund
Noel W. Barfoot
Joseph Ellis
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*Mike M. McCall
(retired)
Debbie Gibson
(retired)*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brazoria County Municipal Utility
District No. 87
Brazoria County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Brazoria County Municipal Utility District No. 87 (the "District") as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

November 19, 2025

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2025

Management's discussion and analysis of the financial performance of Brazoria County Municipal Utility District No. 87 (the "District") provides an overview of the District's financial activities for the fiscal year ended August 31, 2025. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, maintenance tax revenues, developer advances, professional fees, and administrative expenditures.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2025

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$1,313,947 as of August 31, 2025. A portion of the District's net position reflects its net investment in capital assets (water system, sanitary sewer system and detention and storm drainage less any debt used to acquire those assets that is still outstanding). This is the District's first audit. In future years a comparative analysis of government-wide changes in net position will be presented. The following table provides a summary of the Statement of Net Position for the year ended August 31, 2025.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of the Statement of Net Position <u>2025</u>
Current and Other Assets	\$ 150,032
Right-of-Use Asset (Net of Accumulated Amortization)	1,340,180
Capital Assets (Net of Accumulated Depreciation)	<u>16,563,664</u>
Total Assets	<u>\$ 18,053,876</u>
Due to Developer	\$ 17,797,499
Lease Liabilities	1,268,211
Other Liabilities	<u>302,113</u>
Total Liabilities	<u>\$ 19,367,823</u>
Net Position:	
Net Investment in Capital Assets	\$ (381,866)
Unrestricted	<u>(932,081)</u>
Total Net Position	<u><u>\$ (1,313,947)</u></u>

The following table provides a summary of the District's operations for the year ended August 31, 2025.

	Summary of the Statement of Activities <u>2025</u>
Revenues:	
Property Taxes	\$ 27,521
Other Revenues	<u>100</u>
Total Revenues	\$ 27,621
Total Expenses	<u>1,091,028</u>
Change in Net Position	\$ (1,063,407)
Net Position, Beginning of Year	<u>(250,540)</u>
Net Position, End of Year	<u><u>\$ (1,313,947)</u></u>

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2025

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The General Fund fund balance decreased by \$181,541, primarily due to professional fees, contracted services, maintenance costs, and administrative costs exceeding property tax revenues and developer advances during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a budget for the General Fund for the current fiscal year. The budget was amended to increase estimated professional fees. Actual revenues were \$27,621 more than budgeted revenues, actual expenditures were \$591,973 more than budgeted expenditures and actual developer advances were \$385,000 more than budgeted which resulted in a negative variance of \$179,352. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of August 31, 2025, total \$16,563,664 and includes water systems, sanitary sewer systems, detention, storm drainage, and paving systems. Certain water, wastewater, storm drainage, and paving facilities are conveyed to other entities for the purpose of providing service to District residents. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94. Additional information on the District's capital assets can be found in Note 6 of this report.

Capital Assets At Year-End, Net of Accumulated Depreciation	
	2025
Capital Assets Subject to Depreciation:	
Water Facilities	\$ 3,179,877
Wastewater Facilities	2,383,575
Storm Drainage	2,497,295
Detention Facilities	5,789,725
Paving	2,713,192
Total Net Capital Assets	<u>\$ 16,563,664</u>

The District has also entered into a lease agreement for an interim wastewater treatment plant which is recorded as a right-of-use asset in the government-wide financial statements. See Note 9 for further disclosure.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2025

COMMITMENTS AND CONTINGENCIES

As of August 31, 2025, the District recorded a liability to the Developer for unreimbursed costs totaling \$17,017,499 which consisted of operating advances made since inception as well as the construction of certain infrastructure within the District which was completed as of year end. Such costs may be reimbursable to the Developer by the District from proceeds of future District bond issues, subject to approval by the Commission.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Brazoria County Municipal Utility District No. 87, c/o Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
AUGUST 31, 2025

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 72,652	\$	\$ 72,652
Prepaid Costs	77,380		77,380
Right-of-Use Assets (Net of Accumulated Amortization)		1,340,180	1,340,180
Capital Assets (Net of Accumulated Depreciation)		16,563,664	16,563,664
TOTAL ASSETS	<u>\$ 150,032</u>	<u>\$ 17,903,844</u>	<u>\$ 18,053,876</u>
LIABILITIES			
Accounts Payable	\$ 302,113	\$	\$ 302,113
Due to Developer		17,797,499	17,797,499
Long-Term Liabilities:			
Lease Payable, Due Within One Year		220,776	220,776
Lease Payable, Due After One Year		1,047,435	1,047,435
TOTAL LIABILITIES	<u>\$ 302,113</u>	<u>\$ 19,065,710</u>	<u>\$ 19,367,823</u>
FUND BALANCE			
Nonspendable: Prepaid Costs	\$ 77,380	\$ (77,380)	\$
Unassigned	(229,461)	229,461	
TOTAL FUND BALANCE	<u>\$ (152,081)</u>	<u>\$ 152,081</u>	<u>\$ - 0 -</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 150,032</u>		
NET POSITION			
Net Investment in Capital Assets		\$ (381,866)	\$ (381,866)
Unrestricted		(932,081)	(932,081)
TOTAL NET POSITION		<u>\$ (1,313,947)</u>	<u>\$ (1,313,947)</u>

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2025

Total Fund Balance - Governmental Fund	\$ (152,081)
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets and right-of-use assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	17,903,844
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Due to Developer	\$ (17,797,499)	
Lease Payable Within One Year	(220,776)	
Lease Payable After One Year	<u>(1,047,435)</u>	<u>(19,065,710)</u>

Total Net Position - Governmental Activities	<u>\$ (1,313,947)</u>
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The accompanying notes to the financial
statements are an integral part of this report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED AUGUST 31, 2025

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property Taxes	\$ 27,521	\$	\$ 27,521
Investment and Miscellaneous Revenues	<u>100</u>	<u></u>	<u>100</u>
TOTAL REVENUES	<u>\$ 27,621</u>	<u>\$ -0-</u>	<u>\$ 27,621</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 60,028	\$	\$ 60,028
Contracted Services	23,173		23,173
Purchased Water Service	128,441		128,441
Purchased Wastewater Service	26,584		26,584
Utilities	240		240
Repairs and Maintenance	117,623		117,623
Depreciation and Amortization		466,353	466,353
Other	202,623		202,623
Debt Service:			
Lease Principal	84,487	(84,487)	
Lease Interest	<u>65,963</u>	<u></u>	<u>65,963</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 709,162</u>	<u>\$ 381,866</u>	<u>\$ 1,091,028</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ (681,541)</u>	<u>\$ (381,866)</u>	<u>\$ (1,063,407)</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ 500,000</u>	<u>\$ (500,000)</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ (181,541)	\$ 181,541	\$
CHANGE IN NET POSITION		(1,063,407)	(1,063,407)
FUND BALANCE/NET POSITION - SEPTEMBER 1, 2024	<u>29,460</u>	<u>(280,000)</u>	<u>(250,540)</u>
FUND BALANCE/NET POSITION - AUGUST 31, 2025	<u>\$ (152,081)</u>	<u>\$ (1,161,866)</u>	<u>\$ (1,313,947)</u>

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2025

Net Change in Fund Balance - Governmental Fund	\$ (181,541)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital assets are depreciated and amortized, and the depreciation and amortization expense is recorded in the Statement of Activities.	(466,353)
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Governmental funds report principal payments as expenditures. However, in the Statement of Net Position, principal payments are reported as decreases in long-term liabilities.	84,487
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Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances are recorded as a liability.	(500,000)
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Change in Net Position - Governmental Activities	\$ <u>(1,063,407)</u>
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The accompanying notes to the financial
statements are an integral part of this report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 1. CREATION OF DISTRICT

Brazoria County Municipal Utility District No. 87 (the “District”) was created by an Order of the Texas Commission on Environmental Quality (the “Commission”), dated June 30, 2022. The District was created and organized according to the terms and provisions of Article XVI, Section 59 of the Texas Constitution and in accordance with the Texas Water Code, Chapters 49 and 54. The District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, detention, irrigation, and construct roads for the residents of the District. The Board of Directors held its first meeting on August 12, 2022, and at an election held on November 8, 2022, the voters confirmed the creation of the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The District is a political subdivision of the State of Texas governed by an elected board. The GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

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

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

These classifications are defined as follows:

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

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for maintenance tax revenues, developer advances, professional fees and administrative expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Right-of-Use Assets

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

Certain water, wastewater, storm drainage, and paving facilities are conveyed to other entities for the purpose of providing service to District residents. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94. Additional information on the District's capital assets can be found in Note 6 of this report.

In accordance with GASB Statement No. 87, the District has recorded the Phase II expansion of the leased wastewater treatment plant as a right-of-use asset (See Note 9). The right-of-use asset is being amortized over the estimated life of the asset.

Budgeting

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

Pensions

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

Measurement Focus (Continued)

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

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

Unassigned: all other spendable amounts in the General Fund.

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. BOND AUTHORIZATION

At an election held within the District on November 8, 2022, voters authorized the issuance of bonds as follows: \$430,800,000 for the purchase or construction of water, wastewater, drainage, and storm drainage facilities; \$172,400,000 for the purchase or construction of roads; \$29,300,000 in the purchase or construction of park and recreational facilities; \$430,800,000 for refunding water, wastewater, drainage, and storm drainage facilities bonds; \$172,400,000 for refunding road bonds; and \$29,300,000 for refunding park and recreational facilities bonds.

NOTE 4. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage from the prior year and settlements have not exceeded coverage in since inception.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged.

At fiscal year end, the carrying amount of the District's deposits was \$72,652 and the bank balance was \$223,911. The District was not exposed to custodial credit risk at year-end.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

The District has adopted a written investment policy to establish the guidelines by which it may invest which is reviewed annually and which may be more restrictive than the Public Funds Investment Act. As of August 31, 2025, the District did not own any investments.

NOTE 6. CAPITAL ASSETS

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

	September 1, 2024	Increases	Decreases	August 31, 2025
Capital Assets Subject to Depreciation				
Water Facilities	\$	\$ 3,249,644	\$	\$ 3,249,644
Wastewater Facilities		2,434,341		2,434,341
Drainage Facilities		2,543,038		2,543,038
Detention Facilities		6,027,523		6,027,523
Paving		2,762,953		2,762,953
Total Capital Assets Subject to Depreciation	\$ - 0 -	\$ 17,017,499	\$ - 0 -	\$ 17,017,499
Less Accumulated Depreciation				
Water Facilities	\$	\$ 69,767	\$	\$ 69,767
Wastewater Facilities		50,766		50,766
Storm Drainage		45,743		45,743
Detention Facilities		237,798		237,798
Paving		49,761		49,761
Total Accumulated Depreciation	\$ - 0 -	\$ 453,835	\$ - 0 -	\$ 453,835
Capital Assets, Net of Accumulated Depreciation	\$ - 0 -	\$ 16,563,664	\$ - 0 -	\$ 16,563,664

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 6. CAPITAL ASSETS (Continued)

Certain water, wastewater, storm drainage, and paving facilities are conveyed to other entities for the purpose of providing service to District residents. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

NOTE 7. MAINTENANCE TAX

On November 8, 2022, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District which may be used to pay any lawfully authorized expenditures of the District. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.72 per \$100 of assessed valuation, which resulted in a tax levy of \$27,521 on the adjusted taxable valuation of \$3,822,322 for the 2024 tax year.

On November 8, 2022, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District which may be used to pay for the operation and maintenance of road facilities. During the current fiscal year, the District did not levy a tax for the operation and maintenance of road facilities.

On November 8, 2022, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$0.10 per \$100 of assessed valuation of taxable property within the District which may be used to pay for the operation and maintenance of park and recreational facilities. During the current fiscal year, the District did not levy a tax for the operation and maintenance of park and recreational facilities.

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 8. COMMITMENTS AND CONTINGENCIES

The District and the Developers have entered into agreements which require the Developers to fund costs associated with construction of roads as well as utility infrastructure serving the residents of the District in addition to operating advances during the early stages of District development. Reimbursement to the Developers for these projects and operating advances is contingent upon the future sale of bonds.

The following table summarizes the activity for the current fiscal year:

Due to Developer, beginning of year	\$ 280,000
Current year additions	<u>17,517,499</u>
Due to Developer, end of year	<u>\$ 17,797,499</u>

NOTE 9. LEASE AGREEMENT

On September 21, 2023, the District entered into a lease agreement with AUC Group to finance a 0.25 MGD wastewater treatment plant in the amount of \$1,352,698. The initial term of this lease is 60 months. Payments in the amount of \$30,090 are due for the first 60 months. Payments are due the first day of each month. The District has the option to purchase the wastewater treatment plant commencing on the 61st month, per an amortization schedule in the lease agreement. Last month's lease payment has been recorded as a prepaid cost. Monthly lease payments of \$21,285 will be required for any additional months beyond the initial term. Once the permanent plant is completed, See Note 11, and the plant is online, the City will take over the lease payments and the lease.

In accordance with the requirements of GASB Statement No. 87, the District classified the lease related capital assets above to right-of-use assets. Right-of-use assets, current year amortization expense, and accumulated amortization is summarized below:

	September 1, 2024	Increases	Decreases	August 31, 2025
Right-of-use Asset Subject to Amortization				
Wastewater Treatment Plant	<u>\$ - 0 -</u>	<u>\$ 1,352,698</u>	<u>\$ - 0 -</u>	<u>\$ 1,352,698</u>
Less Accumulated Amortization				
Wastewater Treatment Plant	<u>\$ - 0 -</u>	<u>\$ 12,518</u>	<u>\$ - 0 -</u>	<u>\$ 12,518</u>
Intangible Assets Net of Accumulated Amortization				
	<u>\$ - 0 -</u>	<u>\$ 1,340,180</u>	<u>\$ - 0 -</u>	<u>\$ 1,340,180</u>

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 9. LEASE AGREEMENT (Continued)

The following is a summary of transactions regarding the lease payable for the year ended August 31, 2025:

Lease Payable, September 30, 2024	\$ - 0 -
Add: Lease Proceeds	1,352,698
Less: Lease Principal Paid	<u>84,487</u>
Lease Payable, August 31, 2025	<u><u>\$ 1,268,211</u></u>
Lease Payable:	
Due Within One Year	\$ 220,776
Due After One Year	<u>1,047,435</u>
Lease Payable, August 31, 2025	<u><u>\$ 1,268,211</u></u>

The following is a schedule of future minimum lease payments under the lease as of August 31, 2025:

Fiscal Year	Principal	Interest	Total
2026	\$ 220,776	\$ 140,304	\$ 361,080
2027	248,776	112,304	361,080
2028	280,327	80,753	361,080
2029	315,879	45,201	361,080
2030	<u>202,453</u>	<u>8,177</u>	<u>210,630</u>
	<u><u>\$ 1,268,211</u></u>	<u><u>\$ 386,739</u></u>	<u><u>\$ 1,654,950</u></u>

NOTE 10. JOINT DETENTION FACILITIES AGREEMENT

On September 13, 2022, the District and Brazoria-Fort Bend Counties Municipal Utility District No. 3 (“MUD 3”) entered into a Joint Detention Facilities Agreement (the “Agreement”), for the construction of joint detention facilities, which includes the construction of a new detention channel and outfall structure. Each district agrees to share the cost to construct the joint detention facilities and the cost of the land encompassing the facilities. Upon completion of construction, each district will be responsible for its share of operating and maintaining the joint detention facilities. MUD 3 is responsible for the maintenance and operation of the joint detention facilities and will bill the District for its pro rata share based on the total number of acres being provided by the joint detention pond and new detention route, respectively.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 11. COST SHARING AGREEMENT FOR NORTHWEST REGIONAL WASTEWATER TREATMENT PLANT

Effective December 9, 2024, the District, the City of Iowa Colony, Texas (the “City”), Brazoria County Municipal Utility District No. 31, and Brazoria County Municipal Utility District No. 38 (the “parties”) entered into a cost sharing agreement for the design, permit, and construction of a permanent concrete wastewater treatment plant (the “project”). The City will serve as administrator for the project and shall have authority to handle all aspects of design, bidding, and construction of the project. Upon final completion of the project, the City shall be the sole legal owner of the project and shall bear all responsibility for the operation and maintenance of the project, including any necessary repairs or rehabilitation. The parties agree to fund their respective pro rata shares of the project costs based upon the approximate EFSCs and reserved capacity required to serve development within their respective boundaries.

NOTE 12. INTERIM WATER SUPPLY AGREEMENT

On June 10, 2025, the District entered into an Interim Water Supply Agreement (“Agreement”) with MUD 3. MUD 3 agrees to lease to the District 332 equivalent single family connections of capacity, so long as MUD 3 has sufficient capacity to provide, until the earlier of the following: i) the fluoridation issue related to the water wells serving the District is resolved and the water plant is operational; or September 1, 2026. The District will pay to MUD 3 \$5.00 per 1,000 gallons as compensation to MUD 3 for the capital improvements utilized to produce such water for the maintenance and operation of MUD 3’s facilities. The District will also pay to MUD 3 any North Fort Bend Water Authority fee applicable to such water. During the current fiscal year, the District recorded an expenditure of \$128,441 in relation to this Agreement.

NOTE 13. INTERIM WASTEWATER TREATMENT SERVICES AGREEMENT

On August 21, 2024, the District and MUD 3 entered into an Interim Wastewater Treatment Services Agreement. The District is constructing a sanitary sewer main line and wastewater treatment plant (the “Facilities”) to service the District, however, the facilities are not completed. MUD 3 will receive and provide treatment of the District’s wastewater until the Facilities are completed. The term of this agreement is one year and will continue to renew on a monthly basis and terminated. The District agrees to pay MUD 3 \$25.00 per 1,000 gallons of wastewater for all wastewater discharged. During the current fiscal year, the District recorded an expenditure of \$26,584 in relation to this Agreement.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 14. ECONOMIC DEPENDENCY AND DEFICIT FUND BALANCE

The District's Developer owns a substantial portion of the taxable property within the District. The Developer's ability to make full and timely payments of taxes and provide operating advances directly affects the District's ability to meet its financial obligations. The General Fund has a deficit fund balance of \$152,081 as of August 31, 2025. The deficit is projected to be eliminated with developer advances in the next fiscal year.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87

REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2025

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2025

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$	\$	\$ 27,521	\$ 27,521
Investment and Miscellaneous Revenues			100	100
TOTAL REVENUES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 27,621</u>	<u>\$ 27,621</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 45,000	\$ 70,000	\$ 60,028	\$ 9,972
Contracted Services	12,000	12,000	23,173	(11,173)
Purchased Water Service			128,441	(128,441)
Purchased Wastewater Service			26,584	(26,584)
Utilities			240	(240)
Repairs and Maintenance			117,623	(117,623)
Other	35,189	35,189	202,623	(167,434)
Lease Principal and Interest			150,450	(150,450)
TOTAL EXPENDITURES	<u>\$ 92,189</u>	<u>\$ 117,189</u>	<u>\$ 709,162</u>	<u>\$ (591,973)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (92,189)</u>	<u>\$ (117,189)</u>	<u>\$ (681,541)</u>	<u>\$ (564,352)</u>
OTHER FINANCING SOURCES(USES)				
Developer Advances	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ 500,000</u>	<u>\$ 385,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ 22,811</u>	<u>\$ (2,189)</u>	<u>\$ (181,541)</u>	<u>\$ (179,352)</u>
FUND BALANCE - SEPTEMBER 1, 2024	<u>29,460</u>	<u>29,460</u>	<u>29,460</u>	
FUND BALANCE - AUGUST 31, 2025	<u><u>\$ 52,271</u></u>	<u><u>\$ 27,271</u></u>	<u><u>\$ (152,081)</u></u>	<u><u>\$ (179,352)</u></u>

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

AUGUST 31, 2025

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2025

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

☐ Retail Water	☐ Wholesale Water	☐ Drainage
☐ Retail Wastewater	☐ Wholesale Wastewater	☐ Irrigation
☐ Parks/Recreation	☐ Fire Protection	☐ Security
☐ Solid Waste/Garbage	☐ Flood Control	☐ Roads
☐ Participates in a joint venture, regional system and/or wastewater service		
☐ Other (specify): _____		

2. RETAIL SERVICE PROVIDERS

3. TOTAL WATER CONSUMPTION: NOT APPLICABLE

4. STANDBY FEES: NOT APPLICABLE

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Brazoria County, Texas

Is the District located within a city?

Entirely ☒ Partly ☐ Not at all ☐

City in which District is located:

City of Iowa Colony, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2025

PROFESSIONAL FEES:	
Engineering	\$ 10,550
Legal	<u>49,478</u>
TOTAL PROFESSIONAL FEES	<u>\$ 60,028</u>
PURCHASED SERVICES FOR RESALE	
Purchased Water Service	\$ 128,441
Purchased Wastewater Service	<u>26,584</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 155,025</u>
CONTRACTED SERVICES:	
Tax Assessment and Collection Costs	\$ 12,435
Bookkeeping	<u>10,738</u>
TOTAL CONTRACTED SERVICES	<u>\$ 23,173</u>
UTILITIES	<u>\$ 240</u>
REPAIRS AND MAINTENANCE	<u>\$ 117,623</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 6,508
Insurance	4,847
Office, Postage and Other	<u>6,779</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 18,134</u>
OTHER EXPENDITURES:	
Sludge Hauling	<u>\$ 184,489</u>
DEBT SERVICE:	
Lease Principal	\$ 84,487
Lease Interest	<u>65,963</u>
TOTAL DEBT SERVICE	<u>\$ 150,450</u>
TOTAL EXPENDITURES	<u>\$ 709,162</u>

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025

	<u>Maintenance Taxes</u>	
TAXES RECEIVABLE -		
AUGUST 1, 2024	\$ -0-	
Adjustments to Beginning		
Balance	<u> </u>	\$ -0-
Original 2024 Tax Levy	\$ 18,545	
Adjustment to 2024 Tax Levy	<u> 8,976</u>	<u> 27,521</u>
TOTAL TO BE		
ACCOUNTED FOR		\$ 27,521
TAX COLLECTIONS:		
Prior Years	\$	
Current Year	<u> 27,521</u>	<u> 27,521</u>
TAXES RECEIVABLE -		
JULY 31, 2025		<u>\$ -0-</u>

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025

	<u>2024</u>
PROPERTY VALUATIONS:	
Land	\$ 3,598,390
Improvements	287,550
Personal Property	48,020
Exemptions	<u>(111,638)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 3,822,322</u>
TAX RATES PER \$100 VALUATION:	
Debt Service	\$ 0.00
Maintenance	<u>0.72</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.72</u>
ADJUSTED TAX LEVY*	<u>\$ 27,521</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>100.00 %</u>

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

* Maintenance Tax – Maximum tax rate of \$1.50 per \$100 assessed valuation was approved by voters on November 8, 2022.

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - ONE YEAR

	<u>Amounts</u>	<u>Percentage of Total Revenues</u>
	<u>2025</u>	<u>2025</u>
REVENUES		
Property Taxes	\$ 27,521	99.5 %
Investment and Miscellaneous Revenues	<u>100</u>	<u>0.5</u>
TOTAL REVENUES	<u>\$ 27,621</u>	<u>100.0 %</u>
EXPENDITURES		
Professional Fees	\$ 60,028	217.3 %
Contracted Services	23,173	83.9
Purchased Water Service	128,441	465.0
Purchased Wastewater Service	26,584	96.2
Utilities	240	0.9
Repairs and Maintenance	117,623	425.8
Other	202,623	733.6
Debt Service: Lease Principal and Interest	<u>150,450</u>	<u>544.7</u>
TOTAL EXPENDITURES	<u>\$ 709,162</u>	<u>2,567.4 %</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (681,541)</u>	<u>(2,467.4) %</u>
OTHER FINANCING SOURCES		
Developer Advances	<u>\$ 500,000</u>	
NET CHANGE IN FUND BALANCE	\$ (181,541)	
BEGINNING FUND BALANCE	<u>29,460</u>	
ENDING FUND BALANCE	<u><u>\$ (152,081)</u></u>	
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u><u>N/A</u></u>	

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2025

District Mailing Address - Brazoria County Municipal Utility District No. 87
c/o Coats Rose, P.C.
9 Greenway Plaza, Suite 1000
Houston, Texas 77046

District Telephone Number - (713) 651-0111

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>August 31, 2025</u>	Expense Reimbursements for the year ended <u>August 31, 2025</u>	<u>Title</u>
Doug Jeffrey	05/22 05/26 (Appointed)	\$ 1,326	\$ 188	President
Austin J. Pace	05/24 05/28 (Elected)	\$ 1,547	\$ 57	Vice President
Cody Wright	12/24 05/26 (Appointed)	\$ 884	\$ -0-	Secretary
Michael B. Callegari	05/24 05/28 (Elected)	\$ 1,547	\$ 477	Assistant Secretary
Jacob Williams	07/24 05/28 (Appointed)	\$ 1,326	\$ 58	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants. The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

Submission date of most recent District Registration Form: December 18, 2024

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2025

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended August 31, 2025</u>	<u>Title</u>
Coats Rose, P.C.	08/12/22	\$ 49,478	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	07/16/25	\$ -0-	Auditor
Myrtle Cruz, Inc.	08/12/22	\$ 11,341	Bookkeeper
Mary Jarmon		\$ -0-	Investment Officer
LJA Engineering, Inc.	08/12/22	\$ 10,550	Engineer
Tierra Financial Advisors, LLC	08/12/22	\$ -0-	Financial Advisor
Si Environmental, LLC	08/30/23	\$ 95,628	Operator
Utility Tax Service, LLC		\$ 15,598	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

28 Liberty Street, 59th Floor
New York, New York 10005

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN