OFFICIAL STATEMENT DATED OCTOBER 7, 2026

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 257, OF HARRIS COUNTY, TEXAS, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, SUBJECT TO THE MATTERS DESCRIBED UNDER "LEGAL MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "LEGAL MATTERS—Qualified Tax-Exempt Obligations."

BOOK-ENTRY-ONLY

Insured Rating ("BAM"): S&P "AA"
Underlying Rating: S&P "A-"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

$8,550,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 257, OF HARRIS COUNTY, TEXAS

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

UNLIMITED TAX BONDS
SERIES 2026

Dated Date: November 1, 2026 **Due: April 1, as shown below**
Interest Accrual Date: Date of Delivery

Principal of the bonds described above (the "Bonds") will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially Regions Bank, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from the date of initial delivery (expected to be on or about November 5, 2026) (the "Date of Delivery") and will be payable on April 1 and October 1 of each year, commencing April 1, 2027, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of $5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

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

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (April 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)	Due (April 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)
2038	$ 420,000 (b)	5.000 %	4.83 %	413884 DX2	2044	$ 580,000 (b)	5.125 %	5.21 %	413884 ED5
2039	445,000 (b)	5.000	4.93	413884 DY0	2045	615,000 (b)	5.250	5.25	413884 EE3
2040	470,000 (b)	5.000	5.03	413884 DZ7	2046	645,000 (b)	5.250	5.27	413884 EF0
2041	495,000 (b)	5.000	5.08	413884 EA1	2047	685,000 (b)	5.250	5.29	413884 EG8
2042	520,000 (b)	5.125	5.13	413884 EB9	2048	720,000 (b)	5.250	5.31	413884 EH6
2043	550,000 (b)	5.125	5.17	413884 EC7	2049	760,000 (b)	5.250	5.33	413884 EJ2

$1,645,000 Term Bond due April 1, 2051 (b), 413884 EL7 (c), 5.375% Interest Rate, 5.375% Yield (a)

(a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

(b) The Bonds are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on April 1, 2032, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. The Term Bond (as defined herein) is also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

(c) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds, when issued, will constitute valid and legally binding obligations of Harris County Municipal Utility District No. 257, of Harris County, Texas (the "District"), and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about November 5, 2026.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that relevant information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified in "UPDATING OF 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."

OFFICIAL STATEMENT SUMMARY

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

THE FINANCING

The Issuer ..... Harris County Municipal Utility District No. 257, of Harris County, Texas (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."

The Issue ..... $8,550,000 Harris County Municipal Utility District No. 257, of Harris County, Texas, Unlimited Tax Bonds, Series 2026, dated November 1, 2026 (the "Bonds"). The Bonds mature serially on April 1 in each year from 2038 through 2049, inclusive, and as a term bond maturing on April 1, 2051 (the "Term Bond") in the respective amounts and bearing interest at the rates for each maturity shown on the cover page hereof. Interest on the Bonds will accrue from the Date of Delivery and will be payable April 1 and October 1 of each year, commencing April 1, 2027, until maturity or prior redemption, and will be calculated on the basis of 360-day year consisting of twelve 30-day months. The Bonds are subject to optional redemption, in whole or, from time to time, in part, on April 1, 2032, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. If less than all the Bonds are redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be selected by the District in integral multiples of $5,000 in any one maturity. The Term Bond is also subject to mandatory sinking fund redemption as more fully described herein. If less than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof. See "THE BONDS."

Book-Entry-Only ..... The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, 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. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Authority for Issuance ..... At elections held within the District on April 6, 1985, and May 7, 2016, voters of the District authorized an aggregate $94,000,000 principal amount of unlimited tax bonds for purposes of acquiring or constructing water, sanitary sewer and drainage facilities for the District. The Bonds constitute the fifth issuance of bonds from such authorization. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; the general laws of the State of Texas related to political subdivisions and an order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"). See "THE BONDS—Authority for Issuance."

Source of Payment ..... The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. See "THE BONDS—Source and Security for Payment."

Use of Proceeds ..... Proceeds from the Bonds will be used (i) to reimburse the Developer (hereinafter defined) for construction and engineering fees associated with the construction of water, sanitary sewer and drainage facilities to serve the Lakeview Haven subdivision, and (ii) to pay the land acquisition, engineering and construction costs associated with construction of a second water well in the District. Bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Payment Record ..... The District has previously issued $17,695,000 principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities in four series, $3,090,000 principal amount of unlimited tax bonds for parks and recreational facilities in one series, and $2,585,000 principal amount of unlimited tax refunding bonds in one series, of which $8,575,000 principal amount is currently outstanding (the "Outstanding Bonds"). The District has timely paid its debt service on the Outstanding Bonds.

Qualified Tax-Exempt Obligations ..... The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS—Qualified Tax-Exempt Obligations."

Legal Opinion ..... Schwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas.

Engineer ..... Quiddity Engineering, LLC, Houston, Texas.

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

Financial Advisor ..... Masterson Advisors LLC, Houston, Texas.

Paying Agent/Registrar ... Regions Bank, Houston, Texas.

Municipal Bond Insurance and Municipal Bond Rating .... S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") is expected to assign a municipal bond insured rating of "AA" (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). S&P has also assigned an underlying rating of "A-" to the Bonds. An explanation of the ratings may be obtained from S&P. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

THE DISTRICT

Description ..... The District is a political subdivision of the State of Texas, created by order of the Texas Water Commission, predecessor to the TCEQ, dated December 18, 1984, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 8435 of the Texas Special District Local Laws Code, and other general statutes of Texas applicable to municipal utility districts. The District consists of approximately 274 acres of land.

Location ..... The District is located in Harris County, Texas, approximately 20 miles west-northwest of the central downtown business district of the City of Houston. The District is situated east and west of Highway 6 and south of FM 529, approximately 6 miles north of Interstate 10. The District is located within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Cypress-Fairbanks Independent School District. See "THE DISTRICT" and "AERIAL PHOTOGRAPH."

Status of Development ..... Residential development in the District consists of Sommerall Park, Sections One through Three (224 single-family residential lots on approximately 44 acres), Villas at Copperwood (71 single-family lots on approximately 11 acres), Sommerall Square Sections One and Two (72 single-family residential lots on approximately 14 acres), Stone Place (97 single-family residential lots on approximately 15 acres) and Lakeview Haven (80 single-family lots recently completed on approximately 10 acres) for a total of 544 single family lots on approximately 94 acres of land. As of September 2, 2026, there were 464 completed homes in the District (461 occupied) and 80 vacant lots available for home construction (all of which are in Lakeview Haven). DRB Homes is expected to begin building homes in Lakeview Haven in the fourth quarter of 2026 with an average sales price of approximately $306,000.

Copperwood Ranch, a 280-unit income restricted apartment complex, has been constructed on approximately 12 acres of land in the District. Such apartment complex was funded and constructed under a federal low-income housing tax credit program, and, pursuant to Section 11.1825 of the Texas Tax Code, is entitled to an exemption from ad valorem taxes equal to fifty percent (50%) of the assessed value thereof if granted by the governing body of the applicable taxing jurisdiction.

Sommerall Station, a 368-unit apartment complex, has been constructed on approximately 15 acres of land in the District. Sommerall Station is owned by the Pleasanton Housing Finance Corporation and is exempt from ad valorem taxation. See "THE DISTRICT—Strategic Partnership Agreement, "—Multi-Family Development," and "INVESTMENT CONSIDERATIONS—Certain Exemptions Provided for Affordable Housing."

Approximately 102 acres in the District have been developed for commercial development, as described below.

A Lowe's Home Improvement Center has been constructed on approximately 13 acres of land.

A Home Depot has been constructed on approximately 13 acres of land.

A Walmart Supercenter has been constructed on approximately 23 acres and includes a Murphy's gas station.

A Hobby Lobby has been constructed on approximately 6 acres of land.

A retail center constructed on approximately 13 acres and includes a Burlington, a beauty supply store and a Dick's Sporting Goods.

The Copperwood shopping center constructed on approximately 34 acres includes as major tenants: Chipotle, Target, Food Town, Petco, Famous Footwear, Old Navy, Michaels, Bath and Body Works, Carter's, Zales, Chuck E. Cheese, Cavender's Boot City, Marshall's, Amegy Bank, Mattress Firm, The Children's Place, as well as multiple small retail businesses and salons. Approximately 96% of the square footage of the Target is located in the District and approximately 41% of the Food Town is located in the District. The remaining portions of such stores are located in Harris County Municipal Utility District No. 149 ("No. 149").

Other businesses located in the District include: KFC, Jack-in-the-Box, Pep Boys, Smoothie King, Taco Cabana and multiple small retail businesses, salons and medical offices.

The District contains approximately 51 acres of undevelopable land consisting of easements, rights-of-way, recreation and open space land, and plant sites. See "THE DISTRICT—Status of Development."

The Developer..... Lakeview Haven Development Partners, LLC, a Delaware limited liability company ("Lakeview Haven Development" or the "Developer"), has recently developed 80-single-family residential lots on approximately 10 acres in Lakeview Haven. The Developer does not own any undeveloped land for future development. DRB Homes is expected to begin building homes in Lakeview Haven in the fourth quarter of 2026 with an average sales price of approximately $306,000. See "THE DEVELOPER."

INVESTMENT CONSIDERATIONS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION

2026 Taxable Assessed Valuation	$355,687,469	(a)
Gross Direct Debt Outstanding	$17,125,000	(b)
Estimated Overlapping Debt	19,647,041	
Total Gross Direct Debt and Estimated Overlapping Debt	$36,772,041	
Ratio of Gross Direct Debt to:		
2026 Taxable Assessed Valuation	4.81%	
Ratio of Gross Direct and Estimated Overlapping Debt to:		
2026 Taxable Assessed Valuation	10.34%	
Operating Funds Available as of September 2, 2026	$7,418,479	
Debt Service Funds Available as of September 2, 2026	$619,172	(c)
Capital Project Funds Available as of September 2, 2026	$539,235	
2025 Debt Service Tax Rate	$0.27	
2025 Maintenance and Operations Tax Rate	0.28	
Total	$0.55	
Anticipated 2026 Debt Service Tax Rate	$0.42	
Anticipated 2026 Maintenance and Operations Tax Rate	0.18	
Total	$0.60	(d)
Average Annual Debt Service Requirement (2027-2051)	$1,084,607	(e)
Maximum Annual Debt Service Requirement (2030)	$1,373,413	(e)
Tax Rate Required to Pay Average Annual Debt Service (2027-2051) at a 95% Collection Rate Based upon 2026 Taxable Assessed Valuation	$0.33	
Tax Rate Required to Pay Maximum Annual Debt Service (2030) at a 95% Collection Rate Based upon 2026 Taxable Assessed Valuation	$0.41	
Status of Development as of September 2, 2026 (f):		
Completed Single-Family Homes (461 occupied)	464	
Vacant Lots Available for Home Construction	80	
Commercial Connections	53	
Apartment Connections (648 units)	2	
Estimated Population	2,910	(g)

(a) The Harris Central Appraisal District (the "Appraisal District") has certified $335,275,264 of taxable value within the District as of January 1, 2026. An additional $20,412,205 of taxable value, which represents the owner's opinion of the uncertified value and is subject to review and downward adjustment prior to certification, remains uncertified. See "TAX PROCEDURES."

(b) After giving effect to issuance of the Bonds. Includes the Bonds and the Outstanding Bonds. See "FINANCIAL STATEMENT (UNAUDITED)—Outstanding Bonds."

(c) Neither the Bond Order nor Texas law requires that the District maintain any particular balance in such fund.

(d) The District authorized publication of its intent to levy a total tax rate of $0.60 per $100 of taxable assessed valuation, of which $0.42 per $100 of taxable assessed valuation is allocated to debt service and $0.18 per $100 of taxable assessed valuation is allocated to maintenance and operations. Such tax rate is expected to be adopted in November 2026 and is subject to change prior to official levy. See "TAX DATA—Tax Rate Distribution."

(e) See "DEBT SERVICE REQUIREMENTS."

(f) See "THE DISTRICT"

(g) Based upon 3.5 persons per occupied single-family residence and 2 persons per apartment unit.

OFFICIAL STATEMENT

$8,550,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 257, OF HARRIS COUNTY, TEXAS

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

UNLIMITED TAX BONDS, SERIES 2026

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 257, of Harris County, Texas (the "District") of its $8,550,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

This Official Statement includes descriptions, among others, of the Bonds and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of documents may be obtained from the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056, upon payment of the cost of duplication.

THE BONDS

General

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

Description

The Bonds will be dated November 1, 2026, with interest payable April 1 and October 1 (each an "Interest Payment Date"), commencing April 1, 2027, until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery, and thereafter, from the most recent Interest Payment Date. The Bonds mature on April 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At elections held within the District on April 6, 1985, and May 7, 2016, voters of the District authorized an aggregate $94,000,000 principal amount of unlimited tax bonds for purposes of acquiring or constructing water, sanitary sewer and drainage facilities for the District. The Bonds constitute the fifth issuance of bonds from such authorization. After the issuance of the Bonds, a total of $67,755,000 in principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas related to political subdivisions, and an order of the TCEQ.

Source and Security for Payment

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

Funds

The Bond Order confirms the establishment of the District's Construction Fund and the District's Bond Fund (the "Bond Fund") created and established pursuant to the orders of the District authorizing the issuance of the Outstanding Bonds. Proceeds of the Bonds will be deposited in the Construction Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond 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 Outstanding Bonds, 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.

Record Date

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

Redemption Provisions

Mandatory Redemption: The Bonds maturing on April 1, 2051 (the "Term Bond") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption on April 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$1,645,000 Term Bond
Due April 1, 2051

Mandatory Redemption Date	Principal Amount
2050	$ 800,000
2051 (maturity)	845,000

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

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds (including the Term Bond) prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on April 1, 2032, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM." If less than all of the entire outstanding principal amount of the Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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

Method of Payment of Principal and Interest

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

Registration

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

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

At elections held within the District on April 6, 1985, and May 7, 2016, voters of the District authorized an aggregate of $94,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The District's voters have also authorized $26,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities, and $7,300,000 principal amount of unlimited tax bonds for the purpose of financing and constructing road facilities, and could authorize additional amounts. After issuance of the Bonds, the District will have $67,755,000 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, $22,910,000 principal amount of unlimited tax bonds authorized but unissued for park and recreational facilities, and all of the authorized but unissued unlimited tax bonds for acquiring or constructing road facilities. The District's voters have also authorized a total of $102,000,000 unlimited tax refunding bonds for refunding water, sanitary sewer and drainage bonds and park bonds, $99,347,034 of which remains authorized but unissued, and $7,300,000 principal amount of unlimited tax refunding bonds for refunding road facilities, all of which remains authorized but unissued, and could authorize additional amounts.

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

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

Financing Road Facilities

Pursuant to Chapter 8435 of the Texas Special District Local Laws Code, the District has the power to issue bonds supported by property taxes to finance roads. At an election held in the District on May 7, 2016, voters authorized $7,300,000 principal amount of unlimited tax bonds for the purpose of financing and constructing road facilities, all of which remains authorized but unissued. Issuance of bonds for roads could dilute the investment security for the Bonds. The District's voters have also authorized a total of $7,300,000 unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District issued for the purpose of financing and constructing road facilities, all of which remains authorized but unissued, and could authorize additional amounts. See "—Issuance of Additional Debt" herein and "INVESTMENT CONSIDERATIONS—Future Debt." Issuance of additional unlimited tax bonds for road facilities may dilute the investment security for the Bonds.

Financing Recreational Facilities

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

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

At an election held within the District on May 7, 2016, voters of the District authorized $26,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities, $22,910,000 of which remains authorized but unissued, and could authorize additional amounts.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds. See "THE BONDS—Issuance of Additional Debt" herein and "INVESTMENT CONSIDERATIONS—Future Debt."

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur. Under the terms of the SPA (as hereinafter defined) between the District and the City of Houston, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years from the effective date of the SPA. See "THE DISTRICT—Strategic Partnership Agreement." The District could consent to a full purpose annexation prior to that time by agreeing to amend the SPA to such effect, however, the District currently has no intention to do so.

Consolidation

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

Remedies in Event of Default

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book- Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor take any 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 Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, 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 certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. 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 Bond 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 less 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. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Water Commission, a predecessor to the Commission, dated December 18, 1984, 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, Chapter 8435 of the Texas Special District Local Laws Code, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the Commission.

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

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Harris County. The District is also required to obtain certain Commission approvals prior to acquiring, constructing and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Strategic Partnership Agreement

The District and the City of Houston entered into a Strategic Partnership Agreement dated effective December 30, 2003 (the "SPA"), pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City of Houston health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City of Houston will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by Commission rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See "THE BONDS—Annexation."

As of the effective date of the SPA, the City of Houston was authorized to impose the one percent (1%) City of Houston sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily the acres of retail and commercial development within the District. The City of Houston pays to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City of Houston from the Comptroller of Public Accounts of the State of Texas (herein defined as the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Outstanding Bonds.

Description and Location

The District is located in Harris County, approximately 20 miles west-northwest of the central downtown business district of the City of Houston. The District is situated east and west of Highway 6 and south of FM 529, approximately 6 miles north of Interstate 10. The District is located within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Cypress-Fairbanks Independent School District. The District contains approximately 274 acres. See "AERIAL PHOTOGRAPH."

Residential Development

Residential development in the District consists of Sommerall Park, Sections One through Three (224 single-family residential lots on approximately 44 acres), Villas at Copperwood (71 single-family lots on approximately 11 acres), Sommerall Square Sections One and Two (72 single-family residential lots on approximately 14 acres), Stone Place (97 single-family residential lots on approximately 15 acres) and Lakeview Haven (80 single-family lots recently completed on approximately 10 acres), for a total of 544 single family lots on approximately 94 acres of land. As of September 2, 2026, there were 464 completed homes in the District (461 occupied) and 80 vacant lots available for home construction (all of which are in Lakeview Haven). DRB Homes is expected to begin building homes in Lakeview Haven in the fourth quarter of 2026 with an average sales price of approximately $306,000.

Multi-Family Development

Copperwood Ranch, a 280-unit income restricted apartment complex, has been constructed on approximately 12 acres of land in the District. Such apartment complex was funded and constructed under a federal low-income housing tax credit program, and, pursuant to Section 11.1825 of the Texas Tax Code, is entitled to an exemption from ad valorem taxes equal to fifty percent (50%) of the assessed value thereof if granted by the governing body of the applicable taxing jurisdiction.

Sommerall Station, a 368-unit apartment complex, has been constructed on approximately 15 acres of land in the District. Sommerall Station is owned by the Pleasanton Housing Finance Corporation and is exempt from ad valorem taxation. See "—Strategic Partnership Agreement" herein and "INVESTMENT CONSIDERATIONS—Certain Exemptions Provided for Affordable Housing."

Commercial Development

Approximately 102 acres in the District have been developed for commercial development, as described below.

A Lowe's Home Improvement Center has been constructed on approximately 13 acres of land.

A Home Depot has been constructed on approximately 13 acres of land.

A Walmart Supercenter has been constructed on approximately 23 acres and includes a Murphy's gas station.

A Hobby Lobby has been constructed on approximately 6 acres of land.

A retail center constructed on approximately 13 acres and includes a Burlington, a beauty supply store and a Dick's Sporting Goods.

The Copperwood shopping center constructed on approximately 34 acres includes as major tenants: Chipotle, Target, Food Town, Petco, Famous Footwear, Old Navy, Michaels, Bath and Body Works, Carter's, Zales, Chuck E. Cheese, Cavender's Boot City, Marshall's, Amegy Bank, Mattress Firm, The Children's Place, as well as multiple small retail businesses and salons. Approximately 96% of the square footage of the Target is located in the District and approximately 41% of the Food Town is located in the District. The remaining portions of such stores are located in Harris County Municipal Utility District No. 149 ("No. 149").

Other businesses located in the District include: KFC, Jack-in-the-Box, Pep Boys, Smoothie King, Taco Cabana and multiple small retail businesses, salons and medical offices.

Undeveloped Acreage

The District contains approximately 51 acres of undevelopable land consisting of easements, rights-of-way, recreation and open space land, and plant sites. See "THE DISTRICT—Status of Development."

THE DEVELOPER

Role of a Developer

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is generally required by the Commission to advance funds to pave streets (in areas where District facilities are being financed with bonds) and finance the construction of the water, wastewater and storm drainage facilities, such advances to be reimbursed (except for paving costs) from the sale of District bonds to the extent allowed by the Commission, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Lakeview Haven Development Partners, LLC

Lakeview Haven Development Partners, LLC, a Delaware limited liability company ("Lakeview Haven Development" or the "Developer"), has recently developed 80-single-family residential lots on approximately 10 acres in Lakeview Haven. The Developer does not own any undeveloped land for future development. DRB Homes is expected to begin building homes in Lakeview Haven in the fourth quarter of 2026 with an average sales price of approximately $306,000.

MANAGEMENT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms in May of even numbered years only. One of the Board members resides within the District; however, all of the members own land within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

Name	Title	Term Expires
Mark B. Collins	President	May 2028
Mark G. Dinges	Vice President	May 2030
Brian M. Startzman	Secretary	May 2030
Calvin Williams Jr.	Asst. Secretary	May 2028
Sidney S. McClendon IV	Asst. Secretary	May 2030

The District has no full-time employees but instead contracts with the entities described below for professional services:

Tax Assessor/Collector

Land and improvements in the District are being appraised for taxation by the Harris Central Appraisal District. The District contracts with Assessments of the Southwest, Inc. to act as Tax Assessor/Collector for the District.

System Operator

The District contracts with Municipal District Services, LLC for maintenance and operation of the District's system (the "Operator").

Bookkeeper

The District contracts with Municipal Accounts & Consulting, L.P. for bookkeeping services for the District (the "Bookkeeper").

Engineer

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

Auditor

The financial statements of the District as of August 31, 2025, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. The District has engaged McGrath & Co., PLLC, to audit its financial statements for the fiscal year ended August 31, 2026. See "APPENDIX A" for a copy of the District's audited financial statements for the year ended August 31, 2025.

Bond Counsel and General Counsel

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

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon the sale and delivery of the Bonds.

Disclosure Counsel

McCall, Parkhurst & Horton L.L.P. ("Disclosure Counsel") has been engaged by the District to serve as disclosure counsel. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

THE SYSTEM

Regulation

According to the Engineer, the District's water distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction and operation of the System was to be accomplished in accordance with the standards and specifications and requirements of such entities and is subject to inspection by each such entity. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of Harris County and, in some instances, the Commission. Harris County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant which provides service to the District beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

Water Supply

Water supply for the District is provided by a 1,200 gallon per minute ("gpm") water well and associated plant facilities. The District also owns 16.05% of No. 149's water plant. The District's ownership in the No.149 water plant is sufficient to serve 273 ESFCs. The District's current water supply is capable of serving 1,600 equivalent single-family connections ("ESFCs"). At the present time the District is serving approximately 901 ESFCs.

A portion of the proceeds from the Bonds will be used to fund a second water well. See "USE AND DISTRIBUTION OF BOND PROCEEDS." Upon completion of the second water well, the District intends to function independently from No. 149 and the Amended and Restated Water Supply Agreement with No. 149 will be terminated.

The District has emergency water supply interconnects with Harris County Municipal Utility District No. 186 ("No. 186") and Harris County Municipal Utility District No. 166.

Subsidence District Requirements

The District is within the boundaries of the Harris Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 2001, the Texas legislature created the West Harris County Regional Water Authority ("Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County and a small portion of Fort Bend County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston"), to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District's groundwater well(s) are included within the Authority's GRP.

The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP. The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, charges, and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and a rate per 1,000 gallons of surface water, if any, sold to the District by the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, that may be due the Authority in the future, but anticipates the need to continue passing such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP. In the event the Authority fails to reduce groundwater withdrawal to the levels specified by and deadline set by the Subsidence District, then the District and others within the Authority's GRP group will be required to pay a disincentive fee on withdrawn groundwater, This fee is expected to be substantial and the District expects it would need to pass such fee through to its customers as described above. This fee would be in addition to the Authority's fee.

Wastewater Treatment Facilities

The District owns 70,000 gallons per day ("gpd") of capacity in the No. 149 wastewater treatment plant, which is sufficient to serve 274 ESFCs, and 201,300 gpd of wastewater capacity in the Northwest Harris County No.16 ("No. 16") wastewater treatment plant which is sufficient to serve 671 ESFCs. The District also has 43,300 gpd of capacity in the Copperfield Regional Wastewater Treatment Plant ("CRWWTP") through a long-term lease agreement with No. 186, one of the CRWWTP's member Districts, and this capacity is sufficient to serve 144 ESFCs. The District currently has capacity available to serve 1,089 ESFCs, which is sufficient to serve the current development in the District. The District is currently serving approximately 901 ESFCs.

Stormwater Drainage Facilities

The entire area of the District is drained by Langham Creek which is generally oriented in a northwest to southwest direction and is close to the southern boundary of the District in one place. The District is divided from east to west by State Highway 6 and is bordered on the north by FM529. In its natural state, almost all of the District acreage drains directly to Langham Creek by overland flow. The remaining portions of the District acreage adjacent to State Highway and FM529 drain first to the open ditches of these roads and then to Langham Creek. In addition, the District is served by a regional storm water detention pond which is located on the west side of State Highway 6 and two smaller detention ponds located on the east side of State Highway 6. All of the roads within the District have storm sewer drainage.

100-Year Flood Plain

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

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the Bonds will be used (i) to reimburse the Developer for construction and engineering fees associated with the construction of water, sanitary sewer and drainage facilities to serve the Lakeview Haven subdivision and (ii) to pay the land acquisition, engineering and construction costs associated with construction of a second water well in the District. Bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds.

The construction costs below were compiled by the District's Engineer and were submitted to the Commission in the District's bond application. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's Auditor. Surplus funds, if any, may be expended for any authorized and lawful purpose for which surplus construction funds may be used, if approved by the Commission, where required.

CONSTRUCTION RELATED COSTS		
Construction Costs	$	7,700,956
Total Construction Costs	**$**	**7,700,956**
NON-CONSTRUCTION COSTS		
Underwriter's Discount	$	256,500
Developer Interest (Estimated)		29,312
Total Non-Construction Costs	**$**	**285,812**
ISSUANCE COSTS AND FEES		
Issuance Costs and Professional Fees	$	448,307
Bond Application Report Costs		85,000
State Regulatory Fees		29,925
Total Issuance Costs and Fees	**$**	**563,232**
TOTAL BOND ISSUE	**$**	**8,550,000**

In the instance that Commission-approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved under the rules of the Commission. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional Commission approval and the issuance of additional bonds may be required.

WATER AND SEWER OPERATIONS

General

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the District's operations are not pledged to the payment of the Bonds and the Outstanding Bonds, but are available for any lawful purpose including payment of debt service on the Bonds, at the discretion and upon action of the Board. It is not anticipated that any revenues will be available for the payment of debt service on the Bonds or Outstanding Bonds.

Waterworks and Sanitary Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended August 31, 2022 through 2025, and an unaudited summary for the eleven-month period ended July 31, 2026, prepared by the Bookkeeper. Reference is made to such records and statements for further and more complete information.

		Fiscal Year Ended August 31			
	9/1/2025 to 7/31/2026 (a)	2025	2024	2023	2022
Revenues					
Water Service	$ 284,134	$ 321,079	$ 346,767	$ 328,924	$ 338,140
Sewer Service	276,286	309,933	321,879	293,278	281,908
Property Taxes	1,018,126	983,470	844,277	761,475	624,922
Penalty and Interest	14,986	21,453	17,915	23,056	15,816
Sales Tax Rebates	1,308,972	1,475,489	1,272,813	1,395,642	1,441,273
Tap Connection and Inspection Fees	18,375	13,298	12,750	12,024	41,290
Regional Water Authority Fees	389,946	480,814	540,005	468,858	458,729
Other	4,355	5,336	35,526	3,049	248
Investment Income	224,010	305,915	333,577	251,702	27,996
Total Revenues	$ 3,539,190	$ 3,916,787	$ 3,725,509	$ 3,538,008	$ 3,230,322
Expenditures					
Purchased Services	$ 412,473	$ 470,207	$ 721,935	$ 613,655	$ 464,357
Professional Fees	326,966	309,213	317,882	282,669	228,586
Contracted Services	488,175	613,660	647,072	540,382	361,170
Repairs and Maintenance	465,398	404,203	372,001	265,642	249,148
Utilities	57,158	49,380	63,152	62,551	55,448
Regional Water Authority	463,515	312,338	313,969	309,927	309,503
Administrative	84,315	72,882	47,978	45,030	43,100
Other	19,696	10,180	14,528	17,731	15,327
Capital Outlay (b)	168,370	1,229,669	370,359	2,204,782	1,574,223
Total Expenditures	$ 2,486,066	$ 3,471,732	$ 2,868,876	$ 4,342,369	$ 3,300,862
Revenues Over (Under) Expenditures	$ 1,053,124	$ 445,055	$ 856,633	$ (804,361)	$ (70,540)
Other Sources (Interfund Transfer)	$ 14,024	$ -	$ -	$ -	$ 65,155
Fund Balance (Beginning of Year)	$ 7,729,136	$ 7,284,081	$ 6,427,448	$ 7,231,809	$ 7,237,194
Fund Balance (End of Year)	$ 8,796,284	$ 7,729,136	$ 7,284,081	$ 6,427,448	$ 7,231,809

(a) Unaudited. Prepared by the Bookkeeper.
(b) Represents costs associated with improvements to District's water facilities, the District's pro-rata share of improvements to the No. 149 wastewater facilities, and the District's pro-rata share of the No. 16 wastewater treatment plant expansion. See "THE SYSTEM."

FINANCIAL STATEMENT (UNAUDITED)

2026 Taxable Assessed Valuation	$355,687,469 (a)
Gross Direct Debt Outstanding	$17,125,000 (b)
Estimated Overlapping Debt	19,647,041
Total Gross Direct Debt and Estimated Overlapping Debt	$36,772,041
Ratio of Gross Direct Debt to:	
2026 Taxable Assessed Valuation	4.81%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2026 Taxable Assessed Valuation	10.34%

Area of District – 274 Acres
Estimated 2026 Population – 2,910 (c)

(a) The Appraisal District has certified $335,275,264 of taxable value within the District as of January 1, 2026. An additional $20,412,205 of taxable value, which represents the owner's opinion of the uncertified value and is subject to review and downward adjustment prior to certification, remains uncertified. See "TAX PROCEDURES."
(b) After giving effect to issuance of the Bonds. Includes the Bonds and the Outstanding Bonds. See "Outstanding Bonds" below.
(c) Based upon 3.5 persons per occupied single-family residence and 2 persons per apartment unit.

Cash and Investment Balances (unaudited as of September 2, 2026)

Capital Projects	Cash and Temporary Investments	$	539,235	
Operating Fund	Cash and Temporary Investments	$	7,418,479	
Debt Service Fund	Cash and Temporary Investments	$	619,172	(a)

(a) Neither the Bond Order nor Texas law requires that the District maintain any particular balance in such fund.

District Investment Policy

The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

Outstanding Bonds (as of September 1, 2026)

Series	Original Principal Amount	Outstanding Bonds (as of 9/1/26)
2017	$ 7,370,000	$ 6,155,000
2018	3,090,000	2,420,000
Total	$ 10,460,000	$ 8,575,000

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 publicly 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. 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.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Harris County	$ 3,080,611,581	8/31/2026	0.05%	$ 1,565,518
Harris County Flood Control District	1,034,900,000	8/31/2026	0.05%	537,085
Harris County Department of Education	28,960,000	8/31/2026	0.05%	14,711
Harris County Hospital District	1,644,825,000	8/31/2026	0.06%	918,008
Port of Houston Authority	386,074,397	8/31/2026	0.05%	200,401
Cypress Fairbanks Independent School District	3,264,440,000	8/31/2026	0.49%	16,067,643
Lone Star College District	338,975,000	8/31/2026	0.10%	343,675
Total Estimated Overlapping Debt				$ 19,647,041
The District	17,125,000 (a)	Current	100.00%	17,125,000
Total Direct and Estimated Overlapping Debt				$ 36,772,041

Ratio of Estimated Direct and Overlapping Debt to 2026 Taxable Assessed Valuation 10.34%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes for 2026

	2026 Tax Rate per $100 of Taxable Assessed Valuation
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority) (a)	$ 0.676267
Cypress Fairbanks Independent School District (b)	1.066900
Harris County ESD No. 9 (a)	0.045000
Lone Star College System (a)	0.105800
Total Overlapping Tax Rate	$ 1.893967
The District (c)	0.600000
Total Tax Rate	$ 2.493967

(a) Represents the 2026 tax rate.
(b) Represents the 2025 tax rate.
(c) The District authorized publication of its intent to levy a total tax rate of $0.60 per $100 of taxable assessed valuation, of which $0.42 per $100 of taxable assessed valuation is allocated to debt service and $0.18 per $100 of taxable assessed valuation is allocated to maintenance and operations. Such tax rate is expected to be adopted in November 2026 and is subject to change prior to official levy. See "TAX DATA—Tax Rate Distribution."

TAX DATA

Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to such records for further and more complete information.

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of August 31, 2026	
				Amount	Percent
2021	$ 302,898,543	$ 0.550	$ 1,665,942	$ 1,665,230	99.96%
2022	330,050,153	0.535	1,765,768	1,765,725	100.00%
2023	358,320,912	0.525	1,881,185	1,880,805	99.98%
2024	357,501,866	0.535	1,912,635	1,911,628	99.95%
2025	349,744,052	0.550	1,923,592	1,913,556	99.48%

Taxes are due upon receipt of bill therefor and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	Anticipated 2026 (a)	2025	2024	2023	2022
Debt Service	$ 0.420	$ 0.270	$ 0.265	$ 0.280	$ 0.310
Maintenance and Operations	0.180	0.280	0.270	0.245	0.225
Total	$ 0.600	$ 0.550	$ 0.535	$ 0.525	$ 0.535

(a) The District authorized publication of its intent to levy a total tax rate of $0.60 per $100 of taxable assessed valuation, of which $0.42 per $100 of taxable assessed valuation is allocated to debt service and $0.18 per $100 of taxable assessed valuation is allocated to maintenance and operations. Such tax rate is expected to be adopted in November 2026 and is subject to change prior to official levy.

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: $0.60 per $100 Assessed Valuation

Debt Service Tax

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. The District levied a debt service tax for 2025 in the amount of $0.27 per $100 assessed valuation. See "THE BONDS—Authority for Issuance."

Maintenance and Operations Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. On April 6, 1985, voters in the District authorized the Board to levy such a maintenance tax in an amount not to exceed $0.50 per $100 assessed valuation. On May 7, 2016, voters in the District authorized the Board to levy an additional $0.10 per $100 assessed valuation of maintenance tax. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds, and any additional unlimited tax bonds which may be issued in the future. The District levied a maintenance tax for 2025 in the amount of $0.28 per $100 assessed valuation.

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the certified portion ($335,275,264) of the 2026 Taxable Assessed Valuation, of $355,687,469, which reflects ownership at January 1, 2026. An accurate principal taxpayer list related to the uncertified portion ($20,412,205) of the 2026 Taxable Assessed Valuation is not available as of the date hereof.

Taxpayer	Type of Property	2026 Certified Taxable Assessed Valuation	% of 2026 Certified Taxable Assessed Valuation
Copperwood Village LP	Commercial	$ 61,123,884	18.23%
Copperfield Spencer Rd Associates LLC	Commercial	20,098,191	5.99%
Wal-Mart Stores Inc.	Commercial	19,940,783	5.95%
FM 529 Ground Lease LP	Commercial	16,058,500	4.79%
Houston Copperwood Apt LP (a)	Multi-Family	15,091,745	4.50%
HD Development Properties	Commercial	14,438,104	4.31%
The Home Depot #6506	Personal Property	8,432,386	2.52%
Dayton Hudson Corp.	Commercial	7,954,614	2.37%
Lowe's Home Centers Inc. #555	Personal Property	7,890,475	2.35%
Shops at Copper Crossing LLC	Commercial	6,560,090	1.96%
Total		$ 177,588,772	52.97%

(a) Houston Copperwood Apt LP owns owns the Copperwood Ranch apartment complex, which was funded and constructed under the federal low-income housing tax credit program and qualifies for an exemption from ad valorem taxes equal to fifty percent (50%) of the assessed value thereof if granted by the governing body of the applicable taxing jurisdiction. According to the Appraisal District, the 2026 taxable assessed valuation above reflects the taxable assessed valuation of the property following the application of the exemption. See "THE DISTRICT—Multi-Family Development."

Summary of Assessed Valuation

The following breakdown of the 2022 through 2026 Taxable Assessed Valuation has been provided by the District's Tax Assessor/Collector based on information contained in the 2022 through 2026 tax rolls of the District. Differences in values from other information herein are due to differences in dates of information provided. An accurate breakdown related to the uncertified portion ($20,412,205) of the 2026 Taxable Assessed Valuation is not available as of the date hereof.

	2026 Taxable Assessed Valuation	2025 Taxable Assessed Valuation	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation	2022 Taxable Assessed Valuation
Land	$ 127,730,754	$ 126,816,386	$ 106,861,886	$ 106,918,712	$ 100,762,856
Improvements	244,676,806	242,544,917	237,327,257	240,322,224	231,458,800
Personal Property	35,283,514	49,601,828	48,498,391	50,536,380	40,319,404
Exemptions	(72,415,810)	(69,219,079)	(35,185,668)	(39,456,404)	(42,490,907)
Total Certified Value	$ 335,275,264	$ 349,744,052	$ 357,501,866	$ 358,320,912	$ 330,050,153
Uncertified Value	20,412,205	-	-	-	-
Total	$ 355,687,469	$ 349,744,052	$ 357,501,866	$ 358,320,912	$ 330,050,153

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2026 Taxable Assessed Valuation of $355,687,469 ($335,275,264 of certified value plus $20,412,205 of uncertified value) and no use of bond funds on hand, and utilize tax rates necessary to pay the District's maximum and average annual debt service requirement. See "INVESTMENT CONSIDERATIONS—Impact on District Tax Rates."

Average Annual Debt Service Requirement (2027-2051)	$1,084,607
$0.33 Tax Rate on 2026 Taxable Assessed Valuation at 95% collections	$1,115,080
Maximum Annual Debt Service Requirement (2030)	$1,373,413
$0.41 Tax Rate on 2026 Taxable Assessed Valuation at 95% collections	$1,385,403

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; most individually owned automobiles and intangible personal property. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2026 tax year, the District has granted an exemption of $50,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or a first responder (as defined under Texas law), who was (i) killed in action, or (ii) fatally injured in the line of duty, is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2026 tax year, the District has granted a 20% general residential homestead exemption.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the Governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January l of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See "Rollback of Operation and Maintenance Tax Rate" herein. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2026, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

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

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who (i) is a person sixty-five (65) years of age or older, (ii) is under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

DEBT SERVICE REQUIREMENTS

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

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2026	$ 132,734.38 (a)	$ -	$ -	$ -	$ 132,734.38
2027	921,887.50	-	402,332.67	402,332.67	1,324,220.17
2028	923,918.75	-	444,293.75	444,293.75	1,368,212.50
2029	924,756.25	-	444,293.75	444,293.75	1,369,050.00
2030	929,118.75	-	444,293.75	444,293.75	1,373,412.50
2031	926,981.25	-	444,293.75	444,293.75	1,371,275.00
2032	928,393.75	-	444,293.75	444,293.75	1,372,687.50
2033	928,256.25	-	444,293.75	444,293.75	1,372,550.00
2034	926,853.13	-	444,293.75	444,293.75	1,371,146.88
2035	924,031.25	-	444,293.75	444,293.75	1,368,325.00
2036	925,075.00	-	444,293.75	444,293.75	1,369,368.75
2037	925,181.25	-	444,293.75	444,293.75	1,369,475.00
2038	-	420,000	433,793.75	853,793.75	853,793.75
2039	-	445,000	412,168.75	857,168.75	857,168.75
2040	-	470,000	389,293.75	859,293.75	859,293.75
2041	-	495,000	365,168.75	860,168.75	860,168.75
2042	-	520,000	339,468.75	859,468.75	859,468.75
2043	-	550,000	312,050.00	862,050.00	862,050.00
2044	-	580,000	283,093.75	863,093.75	863,093.75
2045	-	615,000	252,087.50	867,087.50	867,087.50
2046	-	645,000	219,012.50	864,012.50	864,012.50
2047	-	685,000	184,100.00	869,100.00	869,100.00
2048	-	720,000	147,218.75	867,218.75	867,218.75
2049	-	760,000	108,368.75	868,368.75	868,368.75
2050	-	800,000	66,918.75	866,918.75	866,918.75
2051	-	845,000	22,709.38	867,709.38	867,709.38
Total	$ 10,317,187.50	$ 8,550,000	$ 8,380,723.30	$ 16,930,723.30	$ 27,247,910.80

(a) Excludes the District's April 1, 2026 debt service payment of $785,688.

Maximum Annual Debt Service Requirement (2030) $1,373,413
Average Annual Debt Service Requirements (2027-2051) $1,084,607

INVESTMENT CONSIDERATIONS

General

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

Dependence on Major Taxpayers

The top ten taxpayers are responsible for $177,588,772 or 52.97% of the certified portion ($335,275,264) of the 2026 Taxable Assessed Valuation of $355,687,469. See "TAX DATA—Principal Taxpayers." If a principal taxpayer were to default in the payment of taxes in an amount which exceeds the balance in the District's Debt Service Funds, the ability of the District to make timely payment of debt service on the Bonds would be dependent on the ability of the District to enforce and liquidate its tax lien, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in the District being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its Debt Service Funds. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis could have a material effect upon the District's ability to pay debt service on the Bonds on a current basis. See "Tax Collection Limitations and Foreclosure Remedies" in this section, "TAX PROCEDURES—Levy and Collection of Taxes."

Dependence on Personal Property Tax Collections

Approximately 9.92% ($35,283,514) of the 2026 Taxable Assessed Valuation of $355,687,469 is personal property. A breakdown of the uncertified portion ($20,412,205) of the 2026 Taxable Assessed Valuation is not available. See "TAX DATA—Summary of Assessed Valuation." Most other utility districts in Texas are not dependent to such an extent on taxes levied on personal property, and the personal property taxation and collection create special risks for Registered Owners. See "TAX DATA—Principal Taxpayers" and "TAX PROCEDURES."

Unlike real property, there is no certainty that personal property will remain in the District from year to year. Automobiles and other personal property are portable, and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year.

If personal property is subject to a lien for unpaid District taxes for any year, the District lien is lost if the property is sold in the ordinary course of business. However, a lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property then or thereafter owned by the taxpayer. However, the District may not be able to foreclose on personal property located outside the State of Texas, and locating and foreclosing on property held outside the District may be costly, inefficient and difficult.

The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20 year statute of limitations for real property. Personal property may not be seized and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitation periods is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See "TAX PROCEDURES."

During the 2025 Legislative Session the exemption for tangible personal property increased to $125,000 of the total appraised value of the tangible property. This personal property tax exemption is effective January 1, 2026. The increased personal property tax exemption may result in reduced tax collections.

Heretofore the District has been successful in collecting its ad valorem tax levies including ad valorem taxes levied on personal property located in the District. However, no representation can be made by the District regarding future tax collections. See "TAX DATA—Tax Collections."

Vacant Lots

There are approximately 80 single-family residential lots that remain vacant as of September 2, 2026. Future increases in taxable value will result primarily from the construction of homes by the homebuilder. Failure of the homebuilder to construct homes on the developed lots could restrict the rate of growth of taxable values in the District. The District makes no representation as to the success of any homebuilding programs. See "THE DISTRICT—Residential Development."

Landowner Obligation to the District

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

Economic Factors and Interest Rates

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

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 20 miles west-northwest from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the greater Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the City and the nation could adversely affect development and building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Increase in Costs of Building Materials

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

Certain Exemptions Provided for Affordable Housing

Certain multi-family housing may be exempt from ad valorem taxation by the District pursuant to Chapter 303 of the Texas Local Government Code (the "PFC Act"), Chapter 392 of the Texas Local Government Code (the "Housing Authority Act"), or Chapter 394 of the Texas Local Government Code (the "HFC Act"), if certain conditions are met. The PFC Act authorizes cities, counties, school districts, housing authorities and special districts (a "Sponsor") to create a sponsored Public Facility Corporation ("PFC") to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a "public facility" includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities. Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multifamily residential development entitles that user to this same exemption. A PFC project approved on or after June 18, 2023, does not quality for an exemption with respect to taxes imposed by a conservation and reclamation district providing water, sewer, or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H.B. 2071 are governed by the prior law and are not subject to the same requirements. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by a PFC.

The HFC Act provides for the formation of housing finance corporations ("HFCs") by municipalities and counties for the purpose of providing decent, safe, and sanitary housing at affordable prices to residents of local governments. Public property owned by an HFC, including property for which an HFC holds an equitable interest, is exempt from taxes imposed by the state or any political subdivision of the state, including conservation and reclamation districts such as the District, provided certain conditions are met under the HFC Act. This exemption applies to both ad valorem and sales taxes levied by taxing authorities where the qualified project is located. Section 394.904(d) (as added by H.B. 21, 89th Texas Legislature, Regular Session) provides in part that, for property acquired by an HFC after May 28, 2025, such ad valorem tax exemptions do not apply to taxes levied by a conservation or reclamation district created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, that provides water, sewer, or drainage service to the multifamily residential development owned by the HFC, unless the applicable HFC has entered into a written agreement with the district to make a payment to the district in lieu of taxation, in the amount specified in the agreement. Further, property acquired by an HFC prior to May 28, 2025, may become subject to taxation by a conservation and reclamation district in future tax years unless certain additional requirements are met under the HFC Act. Sommerall Station, a 368-unit apartment complex, constructed on approximately 15 acres of land in the District, is owned by Pleasanton Housing Finance Corporation and is exempt from ad valorem taxation. The Pleasanton Housing Finance Corporation has not entered into a payment in lieu of taxes agreement with the District. See "THE DISTRICT—Multi Family Development."

The Housing Authority Act authorizes cities and counties to create housing authorities to provide safe and sanitary housing for persons of low income within the area of operation of the housing authority. Multi-family property owned by a housing authority, including property for which a housing authority holds an equitable interest, is exempt from all taxes and special assessments of a city, county, the state, or another political subdivision, including conservation and reclamation districts such as the District, if certain conditions are met under the Housing Authority Act. The District is not aware of any property located within the boundaries of the District that is owned by a housing authority.

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Extreme Weather Events

The greater Houston area, including the District, is subject to the possibility of severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the Operator, there was no interruption of water and sanitary sewer service as a result of Hurricane Harvey. According to the Engineer and Operator, the District's system did not sustain any material damage from Hurricane Harvey. To the knowledge of the District, no homes within the District experienced structural flooding or other damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their ad valorem taxes. The 2026 Taxable Assessed Valuation of the District is $355,687,469 ($335,275,264 of certified value plus $20,412,205 of uncertified value). See "FINANCIAL STATEMENT (UNAUDITED)." After issuance of the Bonds, the maximum annual debt service requirement will be $1,373,413 (2030) and the average annual debt service requirement will be $1,084,607 (2027-2051). See "DEBT SERVICE REQUIREMENTS." Assuming no increase or decrease from the 2026 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of $0.41 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and a tax rate of $0.33 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2026 Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

No representation or suggestion is made that the uncertified portion of the 2026 Taxable Assessed Valuation will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

Future Debt

After the issuance of the Bonds, the District reserves in the Bond Order the right to issue the remaining $67,755,000 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, the $22,910,000 principal amount of unlimited tax bonds for the purpose of constructing park and recreational facilities, and the $7,300,000 principal amount of unlimited tax bonds for the purpose of financing and constructing road facilities, and any additional bonds which may be voted hereafter. See "THE BONDS—Issuance of Additional Debt," "—Financing Road Facilities," and "—Financing Recreational Facilities." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board and any bonds issued to acquire or construct water, sanitary sewer and/or drainage facilities or recreational facilities must be approved by the Commission. The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District's authorized but unissued bonds and other available District funds are adequate, under present land use projections, to finance the improvements necessary to serve such development. The District has no plans to call an election to authorize additional bonds at this time.

In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Environmental and Air Quality Regulations

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

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

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

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

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Further, the EPA has established a NPDWR for six (6) Per- and Polyflouroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, 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. It 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.

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

Subsequently, the EPA and USACE issued a final rule amending the definition of "waters of the United States" under the CWA to conform with the Supreme Court's decision.

While the *Sackett* decision 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.

Tax Collection Limitations

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 procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable 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. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAX PROCEDURES—District's Rights in the Event of Tax Delinquencies."

Registered Owners Remedies

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

If 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 were confirmed by the bankruptcy court, it could, among other things, affect the Registered 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 Registered Owner's claim against the District.

A district may not be forced into bankruptcy involuntarily.

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 by the District to comply with such covenants in the Bond Order 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 "LEGAL MATTERS—Tax Exemption."

Marketability

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

Cybersecurity

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

Future and Proposed Legislation

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the insurer and its claim paying ability. The insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the insurer and of the ratings on the Bonds insured by the insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

The obligations of the insurer are contractual obligations and in an event of default by the insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies. Neither the District nor the Initial Purchaser has made independent investigation into the claims paying ability of the insurer and no assurance or representation regarding the financial strength or projected financial strength of the insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the insurer, particularly over the life of the investment. See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" for further information provided by the insurer and the Policy, which includes further instructions for obtaining current financial information concerning the insurer.

LEGAL MATTERS

Legal Opinions

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

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

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "THE DISTRICT—General," "—Strategic Partnership Agreement," "MANAGEMENT—Bond Counsel and General Counsel," "TAX PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

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

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

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

Qualified Tax-Exempt Obligations

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

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

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

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

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

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction.

The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

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

SALE AND DISTRIBUTION OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by Robert W. Baird & Co., Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page of this Official Statement, at a price of 97.00% of the principal amount thereof, which resulted in a net effective interest rate of 5.382370% as calculated pursuant to Chapter 1204, Texas Government Code (the "IBA" method).

The prices and other terms with respect to the offering and the 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 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-allocate or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

MUNICIPAL BOND RATING

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

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: https://bambonds.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $505.6 million, $295.6 million and $210.0 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

"THE DISTRICT" and "THE SYSTEM"—Quiddity Engineering, LLC; "THE BONDS" and "LEGAL MATTERS"—Schwartz, Page & Harding, L.L.P.; "FINANCIAL STATEMENT (UNAUDITED)" — Municipal Accounts & Consulting L.P. "TAX PROCEDURES"— Assessments of the Southwest, Inc. and Schwartz, Page & Harding, L.L.P.; "THE SYSTEM"— Quiddity Engineering, LLC; "and "TAX DATA"—Harris Central Appraisal District, Assessments of the Southwest, Inc. and the Municipal Advisory Council of Texas.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

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

Engineer: The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," and "THE SYSTEM" (as it relates to District facilities) has been provided by Quiddity Engineering, LLC and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the Assessed Valuations of the District has been provided by the Harris Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Harris County, including the District.

Tax Assessor Collector: The information contained in this Official Statement relating to the historical breakdown of the Taxable Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Assessments of the Southwest, Inc., and is included herein in reliance upon Assessments of the Southwest, Inc. as an expert in collecting taxes.

Auditor: The financial statements of the District as of August 31, 2025, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Bookkeeper: The information related to the unaudited summary of the District's General Operating Fund as it appears in "WATER AND SEWER OPERATIONS" has been provided by Municipal Accounts & Consulting L.P. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

UPDATING OF OFFICIAL STATEMENT

For the period beginning on the date of the award of the sale of the Bonds to the Initial Purchaser and ending on the ninety-first (91st) day after the "end of the underwriting period," (as defined in Rule 15c(2)-12(f)(2) of the United States Securities and Exchange Commission (the "SEC")), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Initial Purchaser of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

CERTIFICATION OF OFFICIAL STATEMENT

The District, acting through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "FINANCIAL STATEMENT (UNAUDITED)," "TAX DATA," "WATER AND SEWER OPERATIONS," "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's audited financial statements) and in Appendix A (District Audited Financial Statements and Certain Supplemental Schedules). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2026.

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

The District's current fiscal year end is August 31. Accordingly, it must provide updated information by February 28 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meaning ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors can 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 specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

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

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 257, of Harris County, Texas, as of the date shown on the cover page.

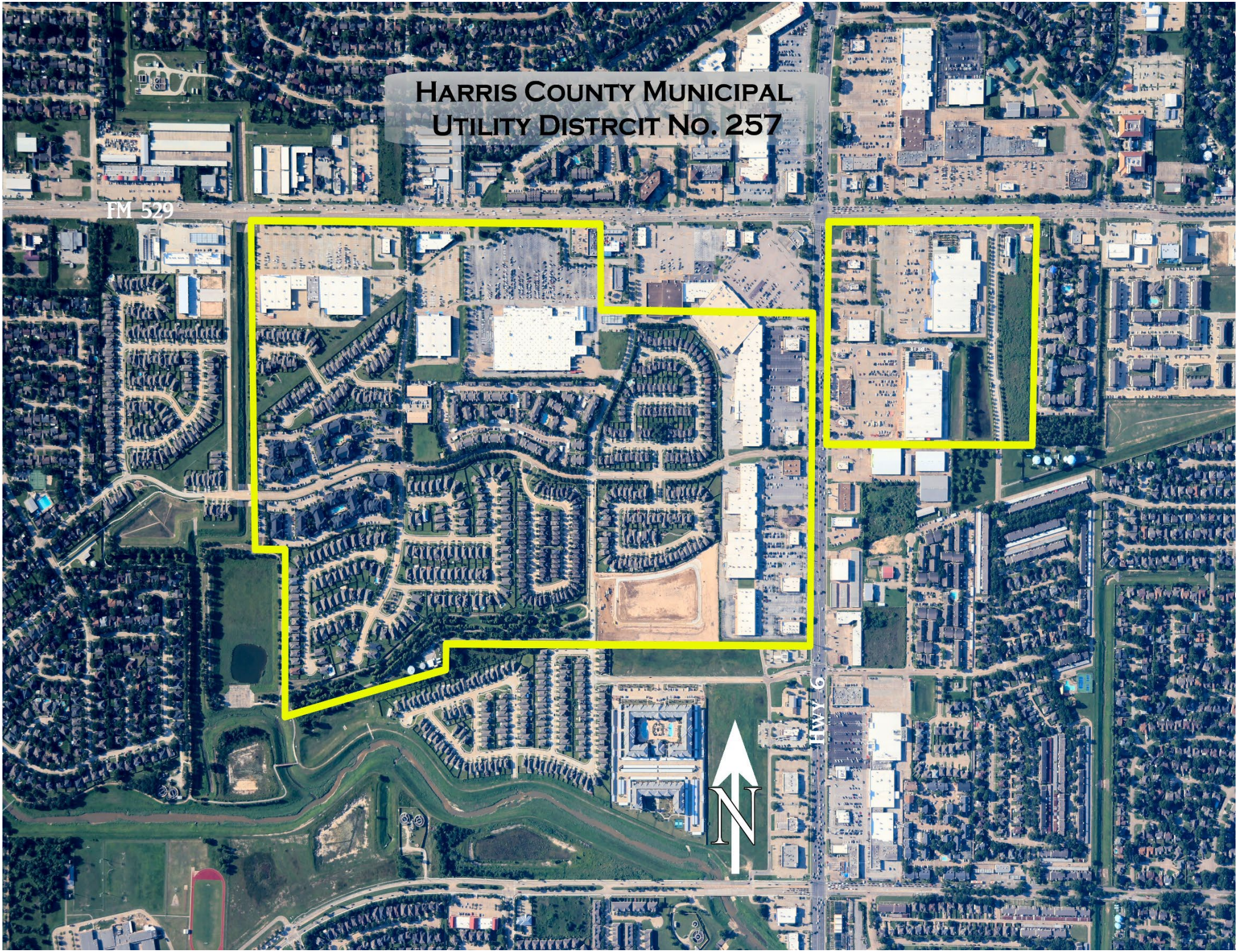
/s/ Mark B. Collins
President, Board of Directors
Harris County Municipal Utility District No. 257,
of Harris County, Texas

ATTEST:

/s/ Brian M. Startzman
Secretary, Board of Directors
Harris County Municipal Utility District No. 257,
of Harris County, Texas

AERIAL PHOTO

(Approximate boundaries as of June 2026)


Harris County Municipal
Utility Distrcit No. 257
FM 529
Hwy 6
N

PHOTOGRAPHS

The following photographs were taken in the District in June 2026 solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if additional improvements will be constructed in the future.

6815

FIRE LANE - NO PARKING

THE HOME DEPOT
Custom Designed. Professionally Built.
STOP
STOP

LOWE'S
99
103
124
149

Home & Pharmacy
Walmart

CRUNCH FITNESS
Marshalls
40 NAILS

Public Storage

Floors for Living
total wireless
UNIQUE DENTAL
Mac Droid PHONE REPAIR
ISRA JEWELRY
ESTRELLA
AGLOB
CAMPERO
Mack'Droid
UNIQUE DENTAL
ESTRELLA
NEW YORK SUBS
INSURANCE

DISCOUNT
TIRE
DISCOUNT
TIRE
6602
XTRA

APPENDIX A

District Audited Financial Statements for the fiscal year ended August 31, 2025

The information contained in this appendix includes the Independent Auditor's Report and Financial Statements of Harris County Municipal Utility District No. 257, of Harris County, Texas, and certain supplemental information for the fiscal year ended August 31, 2025.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 257

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

August 31, 2025

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

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 257
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 257 (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 each major fund of Harris County Municipal Utility District No. 257, as of August 31, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Supplementary Information

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

Houston, Texas
December 3, 2025

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Management's Discussion and Analysis

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Using this Annual Report

This section of the financial report of Harris County Municipal Utility District No. 257 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended August 31, 2025. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at August 31, 2025, was $17,192,081. A comparative summary of the District's overall financial position, as of August 31, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	$ 10,146,668	$ 9,719,521
Capital assets	17,417,739	16,873,425
Total assets	27,564,407	26,592,946
Current liabilities	1,797,326	1,750,695
Long-term liabilities	8,575,000	9,220,000
Total liabilities	10,372,326	10,970,695
Net position		
Net investment in capital assets	10,618,334	9,633,470
Restricted	636,249	581,656
Unrestricted	5,937,498	5,407,125
Total net position	$ 17,192,081	$ 15,622,251

The total net position of the District increased during the current fiscal year by $1,569,830. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2025	2024
Revenues		
Property taxes, penalties and interest	$ 1,971,054	$ 1,835,970
Water and sewer service	631,012	668,646
City of Houston remittance	1,339,877	1,404,499
Regional water authority	480,814	540,005
Other	409,835	463,103
Total revenues	4,832,592	4,912,223
Expenses		
Current service operations	2,323,195	2,542,016
Debt interest and fees	291,622	306,185
Developer interest		175,457
Depreciation and amortization	647,945	600,860
Total expenses	3,262,762	3,624,518
Change in net position before other item	1,569,830	1,287,705
Other item		
Transfers to other governments		(466,975)
Change in net position	1,569,830	820,730
Net position, beginning of year	15,622,251	14,801,521
Net position, end of year	$ 17,192,081	$ 15,622,251

Financial Analysis of the District's Funds

The District's combined fund balances, as of August 31, 2025, were $8,971,538, which consists of $7,729,136 in the General Fund, $736,999 in the Debt Service Fund and $505,403 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of August 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 8,311,110	$ 8,001,172
Total liabilities	$ 458,420	$ 453,266
Total deferred inflows	123,554	263,825
Total fund balance	7,729,136	7,284,081
Total liabilities, deferred inflows and fund balance	$ 8,311,110	$ 8,001,172

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

	2025	2024
Total revenues	$ 3,916,787	$ 3,725,509
Total expenditures	(3,471,732)	(2,868,876)
Revenues over expenditures	$ 445,055	$ 856,633

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.
- Water, sewer and regional water authority revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Sales tax rebates received from the City of Houston under a Strategic Partnership Agreement are dependent on consumer spending at retail stores located within the District's boundaries and will fluctuate from year to year.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of August 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 807,001	$ 727,147
Total liabilities	$ 51,949	$ 20,418
Total deferred inflows	18,053	25,087
Total fund balance	736,999	681,642
Total liabilities, deferred inflows and fund balance	$ 807,001	$ 727,147

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

	2025	2024
Total revenues	$ 1,023,329	$ 998,923
Total expenditures	(967,972)	(958,805)
Revenues over expenditures	$ 55,357	$ 40,118

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

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of August 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 1,028,557	$ 991,202
Total liabilities	$ 523,154	$ 521,938
Total fund balance	505,403	469,264
Total liabilities and fund balance	$ 1,028,557	$ 991,202

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

	2025	2024
Total revenues	$ 39,781	$ 43,863
Total expenditures	(3,642)	(528,614)
Revenues over/(under) expenditures	$ 36,139	$ (484,751)

The District did not have any significant capital asset activity in the current year. The District's capital asset activity in the prior year was financed with proceeds from its Series 2017 Unlimited Tax Bonds.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $42,832 greater than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

Capital Assets

Capital assets held by the District at August 31, 2025 and 2024, are summarized as follows:

	2025	2024
Capital assets not being depreciated		
Land and improvements	$ 3,035,275	$ 3,035,275
Construction in progress	4,270	463,017
	3,039,545	3,498,292
Capital assets being depreciated/amortization		
Infrastructure	16,342,347	14,691,341
Investment in regional facilities	3,392,545	3,392,545
Parks and recreation	2,322,393	2,322,393
Water capacity	50,000	50,000
	22,107,285	20,456,279
Less accumulated depreciation/amortization		
Infrastructure	(4,543,226)	(4,113,206)
Investment in regional facilities	(2,273,651)	(2,183,229)
Parks and recreation	(862,214)	(751,377)
Water capacity	(50,000)	(33,334)
	(7,729,091)	(7,081,146)
Depreciable capital assets, net	14,378,194	13,375,133
Capital assets, net	$ 17,417,739	$ 16,873,425

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

- Water Plant No. 1 ground storage tank No. 2 and improvements
- Water Well No. 1 rework

The District's construction in progress is for the rehabilitation of Northwest Harris County Municipal Utility District No. 16's wastewater treatment plant.

Long-Term Debt and Related Liabilities

The District has entered into agreements with developers in the District for the construction of infrastructure improvements pursuant to which the developers finance the construction of facilities and the District reimburses the developers from the proceeds of bond issues or other lawful available funds. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The estimate cost of amounts owed to developers are trued up when the developers are reimbursed. As of August 31, 2025, the District owes approximately $346,175 to developers for completed projects.

At August 31, 2025 and 2024, the District had total bonded debt outstanding as shown below:

Series	2025	2024
2017	$ 6,580,000	$ 6,985,000
2018 Park	2,640,000	2,865,000
	$ 9,220,000	$ 9,850,000

At August 31, 2025, the District had $76,305,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; $22,910,000 for parks and recreational facilities; $7,300,000 for road improvements; $102,000,000 for refunding bonds issued for water, sanitary sewer, drainage and parks and recreation facilities; and $7,300,000 for refunding bonds issues for road improvements.

Property Taxes

The District's property tax base decreased approximately $155,000 for the 2025 tax year from $363,947,902 to $363,793,335. While the District's overall tax base benefited from new construction and increased values during the year, total taxable value decreased due to the removal of approximately $6.50 million in taxable value associated with an apartment complex that converted to a non-taxable entity. For the 2025 tax year, the District has levied a maintenance tax rate of $0.28 per $100 of assessed value and a debt service tax rate of $0.27 per $100 of assessed value, for a total combined tax rate of $0.55 per $100 of assessed value. Tax rates for the 2024 tax year were $0.27 per $100 for maintenance and operations and $0.265 per $100 for debt service for a combined total of $0.535 per $100 of assessed value.

Next Year's Budget

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

	2025 Actual	2026 Budget
Total revenues	$ 3,916,787	$ 3,772,167
Total expenditures	(3,471,732)	(3,030,081)
Revenues over expenditures	445,055	742,086
Other changes in fund balance		497,000
Net change in fund balance	445,055	1,239,086
Beginning fund balance	7,284,081	7,729,136
Ending fund balance	$ 7,729,136	$ 8,968,222

Basic Financial Statements

Harris County Municipal Utility District No. 257
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Assets				
Cash and investments	$ 7,015,252	$ 840,167	$ 1,028,557	$ 8,883,976
Taxes receivable	10,619	18,053		28,672
Customer service receivables	140,487			140,487
Internal balances	51,219	(51,219)		
Due from City of Houston	448,820			448,820
Due from other governments	440,784			440,784
Prepaid items	28,953			28,953
Other receivables	14,680			14,680
Operating reserve - joint facilities	160,296			160,296
Capital assets not being depreciated				
Capital assets, net				
Total Assets	$ 8,311,110	$ 807,001	$ 1,028,557	$ 10,146,668
Liabilities				
Accounts payable	$ 396,113	$ -	$ 176,979	$ 573,092
Accrued expenses	21,208			21,208
Other payables	3,849	51,949		55,798
Customer deposits	37,250			37,250
Accrued interest payable				
Due to developer			346,175	346,175
Long-term debt				
Due within one year				
Due after one year				
Total Liabilities	458,420	51,949	523,154	1,033,523
Deferred Inflows of Resources				
Deferred property taxes	10,619	18,053		28,672
Deferred City of Houston sales tax	112,935			112,935
	123,554	18,053		141,607
Fund Balances/Net Position				
Fund Balances				
Nonspendable	189,249			189,249
Restricted		736,999	505,403	1,242,402
Unassigned	7,539,887			7,539,887
Total Fund Balances	7,729,136	736,999	505,403	8,971,538
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 8,311,110	$ 807,001	$ 1,028,557	$ 10,146,668
Net Position				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See notes to basic financial statements.

Adjustments	Statement of Net Position
$ -	$ 8,883,976
	28,672
	140,487
	448,820
	440,784
	28,953
	14,680
	160,296
3,039,545	3,039,545
14,378,194	14,378,194
17,417,739	27,564,407
	573,092
	21,208
	55,798
	37,250
118,803	118,803
	346,175
645,000	645,000
8,575,000	8,575,000
9,338,803	10,372,326
(28,672)	
(112,935)	
(141,607)	
(189,249)	
(1,242,402)	
(7,539,887)	
(8,971,538)	
10,618,334	10,618,334
636,249	636,249
5,937,498	5,937,498
$ 17,192,081	$ 17,192,081

Harris County Municipal Utility District No. 257
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended August 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Water service	$ 321,079	$ -	$ -	$ 321,079
Sewer service	309,933			309,933
Property taxes	983,470	965,966		1,949,436
Penalties and interest	21,453	11,858		33,311
City of Houston remittance	1,475,489			1,475,489
Tap connection and inspection	13,298			13,298
Regional water authority fees	480,814			480,814
Miscellaneous	5,336	12,225		17,561
Investment earnings	305,915	33,280	39,781	378,976
Total Revenues	3,916,787	1,023,329	39,781	4,979,897
Expenditures/Expenses				
Current service operations				
Purchased services	470,207			470,207
Professional fees	309,213		2,020	311,233
Contracted services	613,660	33,019		646,679
Repairs and maintenance	404,203			404,203
Utilities	49,380			49,380
Regional water authority fees	312,338			312,338
Administrative	72,882	7,062	100	80,044
Other	10,180		1,522	11,702
Capital outlay	1,229,669			1,229,669
Debt service				
Principal		630,000		630,000
Interest and fees		297,891		297,891
Depreciation and amortization				
Total Expenditures/Expenses	3,471,732	967,972	3,642	4,443,346
Revenues Over Expenditures	445,055	55,357	36,139	536,551
Change in Net Position				
Fund Balance/Net Position				
Beginning of the year	7,284,081	681,642	469,264	8,434,987
End of the year	$ 7,729,136	$ 736,999	$ 505,403	$ 8,971,538

See notes to basic financial statements.

Adjustments	Statement of Activities
$ -	$ 321,079
	309,933
(10,634)	1,938,802
(1,059)	32,252
(135,612)	1,339,877
	13,298
	480,814
	17,561
	378,976
(147,305)	4,832,592
	470,207
	311,233
	646,679
37,409	441,612
	49,380
	312,338
	80,044
	11,702
(1,229,669)	
(630,000)	
(6,269)	291,622
647,945	647,945
(1,180,584)	3,262,762
(536,551)	
1,569,830	1,569,830
7,187,264	15,622,251
$ 8,220,543	$ 17,192,081

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 257 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Water Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated December 18, 1984, and operates in accordance with the Texas Water Code, Chapters 49 and 54 as amended, and the Texas Special District Local Laws Code Chapter 8435 ("Chapter 8435"). The Board of Directors held its first meeting on January 18, 1985, and the first bonds were issued on December 17, 1997.

The District's primary activities include construction, maintenance and operation of water, sewer, drainage and recreational facilities, and pursuant to Chapter 8435, the construction of roads or improvements, including storm drainage, in aid of those roads. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have

many funds; however, governmental financial statements focus on the most important or "major" funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At August 31, 2025, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

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

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is $50,000. The threshold for subscription-based information technology arrangements (SBITAs) is $100,000.

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

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities and park and recreational facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	10-45 years
Investment in regional facilities	10-40 years
Parks and recreation	30 years
Water capacity	Remaining life of contract

The District's detention facilities are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items and operating reserves paid to Harris County Municipal Utility District No. 149 and Northwest Harris County Municipal Utility District No. 16 for the operation of joint facilities.

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		$ 8,971,538
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 25,146,830	
Less accumulated depreciation/amortization	(7,729,091)	
		17,417,739
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Accrued interest payable	(118,803)	
Bonds payable	(9,220,000)	
		(9,338,803)
Deferred inflows in the fund statements consist of receivables that are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		
Property taxes, penalties and interest	28,672	
City of Houston sales taxes	112,935	
		141,607
Total net position - governmental activities		$ 17,192,081

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

Net change in fund balances - total governmental funds		$ 536,551
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for the following:		
Property taxes, penalties and interest	$ (11,693)	
City of Houston sales tax remittance	(135,612)	
		(147,305)
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:		
Capital outlays	1,229,669	
Depreciation/amortization expense	(647,945)	
Repairs and maintenance	(37,409)	
		544,315
Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:		
Principal payments	630,000	
Interest expense accrual	6,269	
		636,269
Change in net position of governmental activities		$ 1,569,830

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas

Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Escrowed Cash

At August 31, 2025, the District held in escrow $279,462 from the Series 2017 Unlimited Tax Bonds, as required by the Texas Commission on Environment Quality, for use on land costs and taxes for the Kentwick Drive detention pond tract.

Investments

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

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

As of August 31, 2025, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	$ 705,000	8%	N/A	N/A
Texas CLASS	General	6,100,531			
	Debt Service	737,869			
	Capital Projects	1,010,785			
		7,849,185	92%	AAAm	44 days
Total		$ 8,554,185	100%		

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

Texas CLASS

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

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at August 31, 2025, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 51,219	Maintenance tax collections not remitted as of year end

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended August 31, 2025, is as follows:

	Beginning Balances	Increases/ Decreases	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 3,035,275	$ -	$ 3,035,275
Construction in progress	463,017	(458,747)	4,270
	3,498,292	(458,747)	3,039,545
Capital assets being depreciated/amortized			
Infrastructure	14,691,341	1,651,006	16,342,347
Investment in regional facilities	3,392,545		3,392,545
Parks and recreation	2,322,393		2,322,393
Water capacity	50,000		50,000
	20,456,279	1,651,006	22,107,285
Less accumulated depreciation/amortization			
Infrastructure	(4,113,206)	(430,020)	(4,543,226)
Investment in regional facilities	(2,183,229)	(90,422)	(2,273,651)
Parks and recreation	(751,377)	(110,837)	(862,214)
Water capacity	(33,334)	(16,666)	(50,000)
	(7,081,146)	(647,945)	(7,729,091)
Subtotal depreciable capital assets, net	13,375,133	1,003,061	14,378,194
Capital assets, net	$ 16,873,425	$ 544,314	$ 17,417,739

Depreciation/amortization expense for the current fiscal year was $647,945.

Note 6 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of various facilities in the District. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

The amount due to developer at August 31, 2025 is approximately $346,175. There was no change in this liability from the prior year.

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 9,220,000
Due within one year	$ 645,000

The District's bonds payable at August 31, 2025, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2017	$ 6,580,000	$ 7,370,000	2.125% - 3.125%	April, 2026 - 2037	October 1, April 1	April 1, 2023
2018 Park	2,640,000	3,090,000	3.125% - 4.0%	April, 2026 - 2037	October 1, April 1	April 1, 2023
	$ 9,220,000					

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

At August 31, 2025, the District had authorized but unissued bonds in the amount of $76,305,000 for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the district; $7,300,000 for road improvements; $22,910,000 for parks and recreational facilities; $102,000,000 for refunding bonds issued for water, sanitary sewer, drainage, and park and recreational facilities; and $7,300,000 for refunding bonds issued for road improvements.

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

Bonds payable, beginning of year	$	9,850,000
Bonds retired		(630,000)
Bonds payable, end of year	$	9,220,000

As of August 31, 2025, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2026	$ 645,000	$ 281,375	$ 926,375
2027	665,000	265,469	930,469
2028	685,000	248,306	933,306
2029	705,000	229,531	934,531
2030	730,000	209,981	939,981
2031	750,000	188,256	938,256
2032	775,000	165,706	940,706
2033	800,000	141,081	941,081
2034	825,000	115,431	940,431
2035	850,000	88,275	938,275
2036	880,000	59,788	939,788
2037	910,000	30,363	940,363
	$ 9,220,000	$ 2,023,562	$ 11,243,562

Note 8 – Property Taxes

On April 6, 1985, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $0.50 per $100 of assessed value. On May 7, 2016, the voters of the District authorized the District's Board of Directors to levy an additional $0.10 in taxes for use in financing general operations. Thus, the District may levy an operation and maintenance tax of up to $0.60. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of $0.535 per $100 of assessed value, of which $0.27 was allocated to maintenance and operations and $0.265 was allocated to debt service. The resulting tax levy was $1,947,121 on the adjusted taxable value of $363,947,902.

Property taxes receivable, at August 31, 2025, consisted of the following:

Current year taxes receivable	$ 5,747
Prior years taxes receivable	11,020
	16,767
Penalty and interest receivable	11,905
Property taxes receivable	$ 28,672

Note 9 – Strategic Partnership Agreement

Effective December 30, 2003, the District and the City of Houston (the "City") entered into a Strategic Partnership Agreement (the "Agreement") under which the City annexed a tract of land within the boundaries of the District for the limited purposes of levying a sales and use tax on commercial activities within such tract. The District continues to exercise all powers and functions of a municipal utility district as provided by law with respect to the tract. As consideration for the District providing services as detailed in the Agreement, the City agreed to remit one-half of all City sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agreed to continue to provide and develop water, sewer and drainage services within the District in lieu of full purpose annexation. The City agreed it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded $1,475,489 in revenues in the General Fund related to the Agreement.

Note 10 – Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (the "Authority"), which was created by the Texas Legislature. The Authority is a political subdivision of the State of Texas, governed by an elected nine-member Board of Directors. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Coastal Subsidence District, which regulates groundwater withdrawal.

As of August 31, 2025, the Authority's rates are $3.95 per 1,000 gallons of water pumped from the District's wells and $4.35 for surface water supplied to the District. These rates are subject to future increases. The District passes these costs on to its customers.

Note 11 – Waste Disposal Agreements

Agreement with Harris County Municipal Utility District No. 149

On February 5, 2020, the District entered into an Amended and Restated Waste Disposal Agreement with Harris County Municipal Utility District No. 149 ("MUD 149") for permanent wastewater treatment. The agreement has a term of 60 years as of the effective date of the Amended and Restated Water Supply Agreement. MUD 149 owns and operates a wastewater treatment plant with 450,000 gallons per day (gpd) capacity. The District owns 70,000 gpd (15.56%) of the capacity in the wastewater treatment plant.

Fixed operating costs are shared base on the pro rata share of capacity owned and variable costs are shared based on the pro rata share of total water delivered and metered to customers. During the current year, the District incurred expenditures of $84,336 for wastewater treatment services. In addition, the District is responsible for its pro rata share of an operating and maintenance reserve, which is equivalent to three months of average budgeted operating and maintenance expenses. As of August 31, 2025, the District's share of the operating reserve is $41,416.

In prior years, it was determined that the District had been overbilled by MUD 149 for wastewater treatment services for the period September 2018 to April 2021. As a result, the District recorded a receivable from MUD 149 in the amount of $134,458. See Note 13 for additional information.

Agreement with Northwest Harris County Municipal Utility District No. 16

On January 28, 1998, the District entered into a 50-year agreement for permanent wastewater treatment with Northwest Harris County Municipal Utility District No. 16 ("MUD 16"). This agreement gives the District the option and right of first refusal to acquire any surplus capacity in MUD 16's wastewater treatment plant. During a prior year, the agreement was amended to include Harris County Municipal Utility District No. 166 ("MUD 166") as a part to the agreement and to reallocate plant capacity. The District has the right to utilize 30.5% of the plant capacity.

The District incurred costs of $156,934 for the current fiscal year related to this agreement. The District is responsible for its pro rata share of an operating and maintenance reserve, which is equivalent to three months of average budgeted operating and maintenance expenses. As of August 31, 2025 the Districts share of the operating reserve is $44,890. In addition, the District is also responsible for its pro rata share of a $25,000 contingency reserve, which is $3,379.

Agreement with Harris County Municipal Utility District No. 186

The District has entered into an Interim Wastewater Treatment Contract, dated May 25, 1995, as subsequently amended, with Harris County Municipal Utility District No. 186 (MUD 186). Pursuant to the agreement, the District may utilize an average 43,300 gpd in MUD 186's wastewater treatment plant. The District may not convey wastewater flow in excess of 53,000 GPD to MUD 186's system without prior written approval in the form of a supplement or contract amendment. The agreement also establishes procedures for the annual review of the capacity used by the District to determine whether the District would need to purchase additional capacity at a base price of $7.00 per gallon.

During the current fiscal year, the District paid $32,032 to MUD 186 for purchased wastewater treatment services.

Note 12 – Water Supply Agreements

Agreement with Harris County Municipal Utility District No. 149

On October 15, 2018, the District and MUD 149 entered into an Amended and Restated Water Supply Agreement, which is effective for 60 years. This agreement replaced a Water Supply Agreement with MUD 149 that was effective in 1994. Pursuant to said agreement, MUD 149 has the right to utilize

16.05% of the capacity in a water plant owned and operated by MUD 149 for the benefit of both districts. Fixed operating costs are shared based on the pro rata share of capacity owned and variable costs are shared based on the pro rata share of total water delivered and metered to customers. In addition, the District is responsible for its pro rata share of an operating and maintenance reserve, which is equivalent to three months of average budgeted operating and maintenance expenses. During the current year the District incurred expenditures of $196,905 for water supply. As of August 31, 2025, the District's share of the operating reserve is $70,611.

In prior years, it was determined that the District had been overbilled by MUD 149 for water supply for the period September 2018 to April 2021. As a result, the District recorded a receivable from MUD 149 in the amount of $306,326. See Note 13 for additional information.

Agreement with Harris County Municipal Utility District No. 166

On February 17, 2023, the District and Harris County Municipal Utility District No. 166 ("MUD 166") entered into an agreement for the purchase of reserved water supply to serve the area within the District's boundaries. In the prior year, pursuant to the agreement, the District paid $50,000 to MUD 166 for the reservation of 50,000 gallons per day, average daily flow of water capacity. The District is required to pay MUD 166 based on its average daily usage as specified in the agreement. The term of the agreement is 3 years. During the current fiscal year, the District did not receive any water supply under this agreement.

Note 13 – Litigation

During the prior years, the District filed a lawsuit against Si Environmental, LLC and Harris County MUD No. 149 ("MUD 149"), collectively the "Defendants". The District seeks recovery of at least $1,286,583 in the lawsuit. The lawsuit generally raises allegations of breach of contract by the Defendants; negligence by Si Environmental; negligent misrepresentation by Si Environmental; declaratory judgment relief against MUD 149; and claims for money had and received, restitution, and unjust enrichment against MUD 149. The District also seeks recovery of its attorneys' fees against the Defendants, as well as its costs of suit and pre-and-post-judgment interest on all amounts awarded. As of August 31, 2025, the District has recognized a $440,784 receivable from MUD 149 for amounts overbilled for water supply and wastewater treatment services.

Note 14 – Risk Management

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

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Required Supplementary Information

Harris County Municipal Utility District No. 257
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended August 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	$ 323,000	$ 300,000	$ 321,079	$ 21,079
Sewer service	290,000	290,000	309,933	19,933
Property taxes	909,979	970,000	983,470	13,470
Penalties and interest	24,000	23,000	21,453	(1,547)
City of Houston remittance	1,378,000	1,350,000	1,475,489	125,489
Tap connection and inspection	13,000	13,400	13,298	(102)
Regional water authority fees	480,000	461,000	480,814	19,814
Miscellaneous	1,000	3,700	5,336	1,636
Investment earnings	340,700	300,585	305,915	5,330
Total Revenues	3,759,679	3,711,685	3,916,787	205,102
Expenditures				
Current service operations				
Purchased services	475,424	321,000	470,207	(149,207)
Professional fees	372,000	302,500	309,213	(6,713)
Contracted services	612,430	607,731	613,660	(5,929)
Repairs and maintenance	287,385	365,955	404,203	(38,248)
Utilities	60,500	36,500	49,380	(12,880)
Regional water authority fees	480,000	461,000	312,338	148,662
Administrative	52,560	65,567	72,882	(7,315)
Other	11,700	18,864	10,180	8,684
Capital outlay	3,415,000	1,130,345	1,229,669	(99,324)
Total Expenditures	5,766,999	3,309,462	3,471,732	(162,270)
Revenues Over/(Under) Expenditures	(2,007,320)	402,223	445,055	42,832
Fund Balance				
Beginning of the year	7,284,081	7,284,081	7,284,081	
End of the year	$ 5,276,761	$ 7,686,304	$ 7,729,136	$ 42,832

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Harris County Municipal Utility District No. 257
TSI-1. Services and Rates
August 31, 2025

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

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

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

[ ] Other (Specify): _____

2. Retail Service Providers

a. Retail Rates for a 2" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 20.00	10,000	N	$ 1.25	10,001	to	20,000
				$ 1.50	20,001	to	no limit
Wastewater:	$ 33.53	0	Y				
Regional water fee	$ 4.35	1,000	N	$ 4.35	1,001	to	no limit

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

Total charges per 10,000 gallons usage: Water $ 63.50 Wastewater $ 33.53

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	473	465	x 1.0	465
1"	18	16	x 2.5	40
1.5"	10	10	x 5.0	50
2"	58	55	x 8.0	440
3"	1	1	x 15.0	15
4"			x 25.0	
6"	1	1	x 50.0	50
8"	5	5	x 80.0	400
10"	1	1	x 115.0	115
Total Water	567	554		1,575
Total Wastewater	519	509	x 1.0	509

See accompanying auditor's report.

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

Gallons pumped into system:	2,188,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons purchased by district*:	103,915,000	
Gallons billed to customers:	111,004,000	104.62%

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

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

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

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

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

5. Location of District:

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

County(ies) in which the District is located: Harris County

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

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

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

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

ETJs in which the District is located: City of Houston

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

If Yes, by whom? _____

* Water purchase from West Harris County Regional Water Authority and Harris County MUD 149.

See accompanying auditor's report.

Harris County Municipal Utility District No. 257
TSI-2. General Fund Expenditures
For the Year Ended August 31, 2025

Purchased services	$ 470,207
Professional fees	
Legal	128,108
Audit	22,000
Engineering	159,105
	309,213
Contracted services	
Bookkeeping	79,053
Operator	48,412
Tap connection and inspection	17,760
Garbage collection	144,204
Security	324,231
	613,660
Repairs and maintenance	404,203
Utilities	49,380
Regional water authority fees	312,338
Administrative	
Directors fees	16,404
Printing and office supplies	13,874
Insurance	23,942
Other	18,662
	72,882
Other	10,180
Capital outlay	1,229,669
Total expenditures	$ 3,471,732

See accompanying auditor's report.

Harris County Municipal Utility District No. 257
TSI-3. Investments
August 31, 2025

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
Certificates of deposit	4.56%	09/10/25	$ 235,000	$ 4,991
Certificates of deposit	4.75%	10/20/25	235,000	9,480
Certificates of deposit	4.05%	07/19/26	235,000	209
Texas CLASS	Variable	N/A	6,100,531	
			6,805,531	14,680
Debt Service				
Texas CLASS	Variable	N/A	737,869	
Capital Projects				
Texas CLASS	Variable	N/A	20,283	
Texas CLASS	Variable	N/A	990,502	
			1,010,785	
Total - All Funds			$ 8,554,185	$ 14,680

See accompanying auditor's report.

Harris County Municipal Utility District No. 257
TSI-4. Taxes Levied and Receivable
August 31, 2025

	Maintenance Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 15,278	$ 12,123	$ 27,401
Adjustments to Prior Year Tax Levy	(3,795)	(4,524)	(8,319)
Adjusted Receivable	11,483	7,599	19,082
2024 Original Tax Levy	945,518	928,009	1,873,527
Adjustments	37,141	36,453	73,594
Adjusted Tax Levy	982,659	964,462	1,947,121
Total to be accounted for	994,142	972,061	1,966,203
Tax collections:			
Current year	979,759	961,615	1,941,374
Prior years	3,711	4,351	8,062
Total Collections	983,470	965,966	1,949,436
Taxes Receivable, End of Year	$ 10,672	$ 6,095	$ 16,767
Taxes Receivable, By Years			
2024	$ 2,900	$ 2,847	$ 5,747
2023	289	330	619
2022	72	99	171
2021 and prior	7,411	2,819	10,230
Taxes Receivable, End of Year	$ 10,672	$ 6,095	$ 16,767

	2024	2023	2022	2021
Property Valuations:				
Land	$ 106,861,886	$ 106,918,712	$ 100,762,856	$ 98,078,690
Improvements	242,995,082	240,454,132	231,458,800	189,390,329
Personal Property	49,180,413	50,530,408	40,326,947	36,409,046
Exemptions	(35,089,479)	(39,359,807)	(42,521,510)	(20,984,855)
Total Property Valuations	$ 363,947,902	$ 358,543,445	$ 330,027,093	$ 302,893,210
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.270	$ 0.245	$ 0.225	$ 0.205
Debt service tax rates	0.265	0.280	0.310	0.345
Total Tax Rates per $100 Valuation	$ 0.535	$ 0.525	$ 0.535	$ 0.550
Adjusted Tax Levy:	$ 1,947,121	$ 1,882,353	$ 1,765,645	$ 1,665,913
Percentage of Taxes Collected to Taxes Levied **	99.70%	99.97%	99.99%	99.39%

* Maximum Maintenance Tax Rate Approved by Voters: $0.60 on May 7, 2016

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

See accompanying auditor's report.

Harris County Municipal Utility District No. 257
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
August 31, 2025

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2026	$ 425,000	$ 186,225	$ 611,225
2027	445,000	177,194	622,194
2028	465,000	167,181	632,181
2029	485,000	155,556	640,556
2030	510,000	143,431	653,431
2031	530,000	129,406	659,406
2032	555,000	114,831	669,831
2033	580,000	98,181	678,181
2034	605,000	80,781	685,781
2035	630,000	61,875	691,875
2036	660,000	42,188	702,188
2037	690,000	21,563	711,563
	$ 6,580,000	$ 1,378,412	$ 7,958,412

See accompanying auditor's report.

Harris County Municipal Utility District No. 257
TSI-5. Long-Term Debt Service Requirements
Series 2018 Park--by Years
August 31, 2025

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2026	$ 220,000	$ 95,150	$ 315,150
2027	220,000	88,275	308,275
2028	220,000	81,125	301,125
2029	220,000	73,975	293,975
2030	220,000	66,550	286,550
2031	220,000	58,850	278,850
2032	220,000	50,875	270,875
2033	220,000	42,900	262,900
2034	220,000	34,650	254,650
2035	220,000	26,400	246,400
2036	220,000	17,600	237,600
2037	220,000	8,800	228,800
	$ 2,640,000	$ 645,150	$ 3,285,150

See accompanying auditor's report.

Harris County Municipal Utility District No. 257
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
August 31, 2025

Due During Fiscal Years Ending	Principal Due April 1	Interest Due October 1, April 1	Total
2026	$ 645,000	$ 281,375	$ 926,375
2027	665,000	265,469	930,469
2028	685,000	248,306	933,306
2029	705,000	229,531	934,531
2030	730,000	209,981	939,981
2031	750,000	188,256	938,256
2032	775,000	165,706	940,706
2033	800,000	141,081	941,081
2034	825,000	115,431	940,431
2035	850,000	88,275	938,275
2036	880,000	59,788	939,788
2037	910,000	30,363	940,363
	$ 9,220,000	$ 2,023,562	$ 11,243,562

See accompanying auditor's report.

Harris County Municipal Utility District No. 257
TSI-6. Change in Long-Term Bonded Debt
August 31, 2025

	Bond Issue		
	Series 2017	Series 2018 Park	Totals
Interest rate	2.125% - 3.125%	3.125% - 4.0%	
Dates interest payable	10/1; 4/1	10/1; 4/1	
Maturity dates	4/1/26 - 4/1/37	4/1/26 - 4/1/37	
Beginning bonds outstanding	$ 6,985,000	$ 2,865,000	$ 9,850,000
Bonds retired	(405,000)	(225,000)	(630,000)
Ending bonds outstanding	$ 6,580,000	$ 2,640,000	$ 9,220,000
Interest paid during fiscal year	$ 194,325	$ 101,900	$ 296,225
Paying agent's name and city All Series	Regions Bank, Houston, Texas		

Bond Authority:	Water, Sewer and Drainage Bonds	Park and Recreational Bonds	Road Bonds
Amount Authorized by Voters	$ 94,000,000	$ 26,000,000	$ 7,300,000
Amount Issued	(17,695,000)	(3,090,000)	
Remaining To Be Issued	$ 76,305,000	$ 22,910,000	$ 7,300,000

Bond Authority:	Refunding Bonds Water, Sewer, Drainage and Park and Recreation Facilities	Refunding Bonds Road Facilities
Amount Authorized by Voters	$ 102,000,000	$ 7,300,000
Amount Issued		
Remaining To Be Issued	$ 102,000,000	$ 7,300,000

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

Debt Service Fund cash and investments balance as of August 31, 2025:	$ 840,167
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 936,964

See accompanying auditor's report.

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Harris County Municipal Utility District No. 257
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2025	2024	2023	2022	2021
Revenues					
Water service	$ 321,079	$ 346,767	$ 328,924	$ 338,140	$ 319,369
Sewer service	309,933	321,879	293,278	281,908	270,381
Property taxes	983,470	844,277	761,475	624,922	616,635
Penalties and interest	21,453	17,915	23,056	15,816	13,991
City of Houston remittance	1,475,489	1,272,813	1,395,642	1,441,273	1,526,414
Tap connection and inspection	13,298	12,750	12,024	41,290	10,465
Regional water authority fees	480,814	540,005	468,858	458,729	381,210
Miscellaneous	5,336	35,526	3,049	248	72
Investment earnings	305,915	333,577	251,702	27,996	17,396
Total Revenues	3,916,787	3,725,509	3,538,008	3,230,322	3,155,933
Expenditures					
Current service operations					
Purchased services	470,207	721,935	613,655	464,357	410,733
Professional fees	309,213	317,882	282,669	228,586	136,744
Contracted services	613,660	647,072	540,382	361,170	324,529
Repairs and maintenance	404,203	372,001	265,642	249,148	249,094
Utilities	49,380	63,152	62,551	55,448	50,120
Regional water authority fees	312,338	313,969	309,927	309,503	262,239
Administrative	72,882	47,978	45,030	43,100	36,010
Park contribution					185,595
Other	10,180	14,528	17,731	15,327	4,860
Capital outlay	1,229,669	370,359	2,204,782	1,574,223	734,970
Total Expenditures	3,471,732	2,868,876	4,342,369	3,300,862	2,394,894
Revenues Over/(Under) Expenditures	445,055	856,633	(804,361)	(70,540)	761,039
Other Financing Sources					
Internal transfers				65,155	
Other Item					
Prior year purchased services overbilling					266,173
Net Change in Fund Balance	445,055	856,633	(804,361)	(5,385)	1,027,212
Fund Balance, Beginning of the year	7,284,081	6,427,448	7,231,809	7,237,194	6,209,982
End of the year	$ 7,729,136	$ 7,284,081	$ 6,427,448	$ 7,231,809	$ 7,237,194

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
8%	9%	9%	10%	10%
8%	9%	8%	9%	9%
25%	23%	22%	19%	20%
1%	*	1%	*	*
38%	35%	40%	45%	48%
*	*	*	1%	*
12%	14%	13%	14%	12%
*	1%	*	*	*
8%	9%	7%	2%	1%
100%	100%	100%	100%	100%
12%	19%	17%	14%	13%
8%	9%	8%	7%	4%
16%	17%	15%	11%	10%
10%	10%	8%	8%	8%
1%	2%	2%	2%	2%
8%	8%	9%	10%	8%
2%	1%	1%	1%	1%
				6%
*	*	1%	*	*
31%	10%	62%	49%	23%
88%	76%	123%	102%	75%
12%	24%	(23%)	(2%)	25%

Harris County Municipal Utility District No. 257
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2025	2024	2023	2022	2021
Revenues					
Property taxes	$ 965,966	$ 957,720	$ 1,047,201	$ 1,052,369	$ 1,040,110
Penalties and interest	11,858	3,816	4,534	6,017	8,624
Miscellaneous	12,225	605	1,437		
Investment earnings	33,280	36,782	30,066	3,983	870
Total Revenues	1,023,329	998,923	1,083,238	1,062,369	1,049,604
Expenditures					
Tax collection services	40,081	36,517	28,936	33,672	30,886
Debt service					
Principal	630,000	610,000	670,000	645,000	615,000
Interest and fees	297,891	312,288	332,888	352,188	371,444
Total Expenditures	967,972	958,805	1,031,824	1,030,860	1,017,330
Revenues Over Expenditures	55,357	40,118	51,414	31,509	32,274
Fund Balance, Beginning of the year	681,642	641,524	590,110	558,601	526,327
End of the year	$ 736,999	$ 681,642	$ 641,524	$ 590,110	$ 558,601
Total Active Retail Water Connections	554	548	554	551	546
Total Active Retail Wastewater Connections	509	506	517	515	510

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
95%	96%	97%	99%	99%
1%	*	*	1%	1%
1%	*	*		
3%	4%	3%	*	*
100%	100%	100%	100%	100%
4%	4%	3%	3%	3%
62%	61%	62%	61%	59%
29%	31%	31%	33%	35%
95%	96%	96%	97%	97%
5%	4%	4%	3%	3%

Harris County Municipal Utility District No. 257
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended August 31, 2025

Complete District Mailing Address:	1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056
District Business Telephone Number:	(713) 623-4531
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	July 3, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Mark B. Collins	05/24 - 05/28	$ 1,768	$ -	President
Mark G. Dinges	05/22 - 05/26	2,431		Vice President
Brian M. Startzman	05/22 - 05/26	2,210		Secretary
Calvin Williams, Jr.	05/24 - 05/28	4,641	1,891	Assistant Secretary
Sidney S. McClendon, IV	05/22 - 05/26	2,431		Assistant Secretary

Consultants		Amounts Paid		
Schwartz, Page & Harding, L.L.P.	07/83			Attorney
General legal fees		$ 191,636		
Municipal District Services, LLC	08/24	332,010		Operator
Municipal Accounts & Consulting, L.P.	07/83	82,135		Bookkeeper
Assessments of the Southwest, Inc.	08/12	10,476		Tax Collector
Harris Central Appraisal District	Legislation	17,383		Property Valuation
Ted A. Cox, P.C.	07/96	4,711		Delinquent Tax Attorney
Quiddity Engineering, LLC	05/22	232,112		Engineer
McGrath & Co., PLLC	Annual	22,000		Auditor
Masterson Advisors LLC	04/18			Financial Advisor
McCall Parkhurst & Horton	06/18	3,500		Disclosure Counsel

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

See accompanying auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

SPECIMEN

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

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

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

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