OFFICIAL STATEMENT DATED OCTOBER 6, 2026

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND INTEREST ON BONDS IS NOT INCLUDABLE IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS OR CORPORATIONS EXCEPT FOR CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE **NOT** BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS" HEREIN.

NEW ISSUE-Book-Entry Only

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

$16,000,000
RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
(A political subdivision of the State of Texas located within Chambers County)
UNLIMITED TAX BONDS
SERIES 2026

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

The bonds described above (the "Bonds") will be issued in fully registered form only, in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar"). Interest will accrue from the initial date of delivery (expected on or about November 3, 2026) (the "Date of Delivery") and is payable March 1, 2027, and each September 1 and March 1 thereafter until the earlier of maturity or redemption on the basis of a 360-day year of twelve 30-day months.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS—Book-Entry-Only System."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM" or the "Insurer"). See "MUNICIPAL BOND INSURANCE" herein.

MATURITY SCHEDULE

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2028	$ 335,000	7.500 %	4.00 %	762833 CC3	2041	$ 630,000 (c)	5.125 %	5.15 %	762833 CR0
2029	350,000	7.500	4.05	762833 CD1	2042	665,000 (c)	5.125	5.20	762833 CS8
2030	370,000	7.500	4.15	762833 CE9	2043	695,000 (c)	5.125	5.24	762833 CT6
2031	390,000	7.500	4.25	762833 CF6	2044	730,000 (c)	5.125	5.28	762833 CU3
2032	410,000	7.500	4.35	762833 CG4	2045	770,000 (c)	5.125	5.32	762833 CV1
2033	430,000 (c)	7.500	4.45	762833 CH2	2046	805,000 (c)	5.125	5.34	762833 CW9
2034	450,000 (c)	7.500	4.55	762833 CJ8	2047	845,000 (c)	5.125	5.36	762833 CX7
2035	470,000 (c)	7.500	4.65	762833 CK5	2048	890,000 (c)	5.125	5.37	762833 CY5
2036	495,000 (c)	5.000	4.75	762833 CL3	2049	935,000 (c)	5.250	5.38	762833 CZ2
2037	520,000 (c)	5.000	4.85	762833 CM1	2050	980,000 (c)	5.250	5.39	762833 DA6
2038	545,000 (c)	5.000	5.00	762833 CN9	2051	1,030,000 (c)	5.250	5.40	762833 DB4
2039	575,000 (c)	5.000	5.05	762833 CP4	2052	1,080,000 (c)	5.250	5.41	762833 DC2
2040	605,000 (c)	5.000	5.10	762833 CQ2					

(a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) 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 at maturity or to the first call date.

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

(c) Bonds maturing on and after September 1, 2033, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2032, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Riceland Municipal Utility District No. 1 (the "District") and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Chambers County, the City of Mont Belvieu or any entity other than the District. The Bonds are subject to special investment risks described herein. See "RISK FACTORS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel. Delivery of the Bonds through DTC is expected on or about November 3, 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, resolutions, 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 Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019, upon payment of duplication costs.

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

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

Build America Mutual Assurance Company ("BAM" or the "Insurer") 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 more detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT.

THE FINANCING

The Issuer... Riceland Municipal Utility District No. 1 (the "District"), a political subdivision of the State of Texas, located in Chambers County, Texas. See "THE DISTRICT."

The Issue... $16,000,000 Riceland Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2026 (the "Bonds"), dated November 1, 2026. The Bonds mature serially on September 1 in each of the years 2028 through 2052, both inclusive, in the principal amounts set forth on the cover page hereof. Interest on the Bonds will accrue from the date of delivery, expected on or about November 3, 2026 (the "Date of Delivery"), with interest payable March 1, 2027 and each September 1 and March 1 thereafter until maturity. See "THE BONDS."

Redemption... Bonds maturing on or after September 1, 2033 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

Book-Entry-Only System… The definitive Bonds will be initially registered 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 thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry-Only System."

Source of Payment… Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount levied against all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Chambers County, the City of Mont Belvieu or any entity other than the District. See "THE BONDS—Source of Payment."

Use of Proceeds... Proceeds from the sale of the Bonds will be used to reimburse the Developer for (1) wastewater and storm drainage facilities serving Riceland, Section 3; (2) water, wastewater and storm drainage facilities serving Riceland, Section 4; (3) water, wastewater and storm drainage facilities serving Riceland, Section 6; (4) water, wastewater and storm drainage facilities serving Riceland, Section 7; (5) water, wastewater and storm drainage facilities serving Riceland, Section 8; (6) water, wastewater and storm drainage facilities serving Riceland, Section 9; (7) water, wastewater and storm drainage facilities serving Riceland, Section 11; (8) Phase 1 mass grading; (9) Phase 1 stormwater pollution prevention improvements; (10) Canal District sheet piles; (11) Canal View Boulevard (East); (12) clearing and grubbing, (13) land costs for detention reserves serving Sections 3 and 4; and (14) engineering costs. In addition, proceeds of the Bonds will be used to capitalize $840,000 of interest on the Bonds, which is the maximum amount approved by the TCEQ, to pay Developer interest and 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 a total principal amount of $11,895,000 of unlimited tax bonds for purposes of acquiring and constructing water, sanitary sewer and drainage facilities in two series, of which $11,785,000 principal amount remains outstanding as of the date hereof (the "Outstanding Bonds"). The District has never defaulted on the payment of principal of and interest on the Outstanding Bonds. The District capitalized twelve (12) months of interest from the Unlimited Tax Bonds, Series 2025, which funded on November 19, 2025. The District will capitalize $840,000 of interest from proceeds of the Bonds, which is the maximum amount approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Not Qualified Tax-Exempt Obligations… The Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986. See "TAX MATTERS—Not Qualified Tax-Exempt Obligations for Financial Institutions."

Authority for Issuance… The Bonds are the third series of bonds issued out of an aggregate of $178,470,000 principal amount of unlimited tax bonds for purposes of construction and acquisition of water, sanitary sewer and drainage facilities authorized by the District's voters at elections held in the District on November 8, 2022 and November 7, 2023. The Bonds are being issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission"), Article XVI, Section 59 of the Constitution of Texas, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"). See "THE BONDS—Authority for Issuance," "—Issuance of Additional Debt" and "RISK FACTORS—Future Debt."

Municipal Bond Rating and Municipal Bond Insurance… S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond 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"). No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating on the Bonds if application had been made. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

Bond Counsel… Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, Houston, Texas.

Financial Advisor… Masterson Advisors LLC, Houston, Texas.

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

Paying Agent/Registrar… The Bank of New York Mellon Trust Company, N.A., Houston, Texas.

THE DISTRICT

Description... The District is a political subdivision of the State of Texas, created by order of the TCEQ on August 11, 2022, under the provisions of Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended. The District is located in Chambers County, Texas and is wholly within the corporate limits of the City of Mont Belvieu, Texas (the "City") approximately 35 miles east of downtown Houston. The District is bounded on the northwest by Eagle Pointe Drive, on the south by Eagle Drive and on the east by Farm-to-Market 565. The District is within the boundaries of the Barbers Hill Independent School District. The District contains approximately 455 acres of land. See "THE DISTRICT" and "AERIAL PHOTOGRAPH."

Riceland... The District is part of the approximately 1,416-acre master planned community of Riceland. Riceland consists of three (3) municipal utility districts: the District, Riceland Municipal Utility District No. 2, and Riceland Municipal Utility District No. 3. The Riceland Management District also encompasses all of the acreage in Riceland, including all of the land within the boundaries of the District. To date, all residential development in Riceland is occurring in the District and Riceland Management District and all commercial development in Riceland is occurring in Riceland Municipal Utility District No. 3 and Riceland Management District. See "RICELAND" and "THE DISTRICT."

Overlapping Debt and Taxes... All of the land within the District is included within the boundaries of the Riceland Management District ("Riceland MD") and is also subject to taxation by Riceland MD. Riceland MD levied a 2026 tax rate in the amount of $0.50 per $100 of taxable assessed valuation. Riceland MD has previously issued a total of $12,245,000 principal amount of unlimited tax road bonds, of which $12,150,000 principal amount remains outstanding as of the date hereof. In addition, Riceland MD expects to issue an additional $2,200,000 principal amount of unlimited tax road bonds, which are expected to be issued on November 3, 2026. The District's 2026 tax rate of $0.80 per $100 of taxable assessed valuation, in combination with the 2026 tax rate of Riceland MD is $1.30 per $100 of taxable assessed valuation. See "RISK FACTORS—Overlapping Debt and Taxes."

Developer... RDC Partners, LP, a Texas limited partnership ("RDC") is an entity formed by McGrath Real Estate Partners ("McGrath") for the sole purpose of owning and developing land in Riceland, including within the District. McGrath is a privately held real estate investment firm located in Houston, Texas. RDC has assigned its reimbursement agreement with the District to Riceland Development Company, Inc., a Texas corporation ("Riceland Development Company"). RDC and Riceland Development Company are affiliated companies through common ownership and are collectively referred to herein as the "Developer." The Developer has developed 780 single-family residential lots on approximately 223 acres of land and continues to own approximately 110 acres of developable land in the District. See "THE DEVELOPER," "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Dependence on Principal Taxpayers."

Status of Development… Single-family residential development in the District currently consists of Riceland, Sections One through Eleven and Fourteen (780 single-family residential lots on approximately 223 acres). As of September 10, 2026, 364 homes were completed (309 occupied), 76 homes were under construction or in a builder's name and 340 vacant developed lots were available for home construction. Of the unoccupied homes and homes under construction, 35 were under contract according to the Developer.

The Lakehouse, a recreation and amenity complex, has been constructed on approximately 3 acres within the District and includes an amenity center, an outdoor patio, a recreational center, an event lawn, a resort-style pool, a dog park, a playground and a dock. The District also contains approximately 110 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities and approximately 119 acres of undevelopable land, which consists of drainage easements, detention ponds, pipelines, landscape, and right of way. See "THE DISTRICT—Land Use" and "—Status of Development."

Homebuilders... Homebuilders active in the District include Chesmar Homes, David Weekley Homes, Highland Homes, Perry Homes and Autograph Homes. New homes in the District are being offered for sale at prices ranging from $325,000 to $900,000. See "THE DISTRICT—Status of Development."

Water and Wastewater Facilities... Pursuant to a Utility Agreement between the District and the City, the City provides retail water and sewer services to the residents in the District and all revenues from the collection of charges for water and sewer services are paid directly to the City. See "THE SYSTEM," "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF MONT BELVIEU" and "RISK FACTORS—Utility Agreement with the City of Mont Belvieu."

RISK FACTORS

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

SELECTED FINANCIAL INFORMATION

2026 Certified Taxable Assessed Valuation	$165,155,645	(a)
Estimated Taxable Assessed Valuation as of August 1, 2026	$205,477,768	(b)
Gross Debt Outstanding (the Bonds and the Outstanding Bonds)	$27,785,000	(c)
Estimated Overlapping Debt	8,407,325	(d)
Gross Debt and Estimated Overlapping Debt	$36,192,325	
Ratios of Gross Debt to:		
2026 Certified Taxable Assessed Valuation	16.82%	
Estimated Taxable Assessed Valuation as of August 1, 2026	13.52%	
Ratios of Gross Debt and Estimated Overlapping Debt to:		
2026 Certified Taxable Assessed Valuation	21.91%	
Estimated Taxable Assessed Valuation as of August 1, 2026	17.61%	
Funds Available for Debt Service:		
Debt Service Fund Balance as of September 14, 2026	$ 358,780	
Capitalized Interest from Proceeds of the Bonds	840,000	(e)
Total Funds Available for Debt Service	$1,198,780	(f)
Operating Funds Available as of September 14, 2026	$476,750	
Capital Project Funds Available as of September 14, 2026	$366,318	
2026 Debt Service Tax Rate	$0.67	
2026 Maintenance Tax Rate	0.13	
2026 Total Tax Rate	$0.80	
Average Annual Debt Service Requirements (2027-2052) of the Outstanding Bonds and the Bonds ("Average Requirement")	$1,907,189	
Maximum Annual Debt Service Requirement (2028) of the Outstanding Bonds and the Bonds ("Maximum Requirement")	$2,035,444	
Tax Rates Required to Pay Average Requirement (2027-2052) at a 95% Collection Rate		
Based upon 2026 Certified Taxable Assessed Valuation	$1.22	
Based upon Estimated Taxable Assessed Valuation as of August 1, 2026	$0.98	
Tax Rates Required to Pay Maximum Requirement (2028) at a 95% Collection Rate		
Based upon 2026 Certified Taxable Assessed Valuation	$1.30	
Based upon Estimated Taxable Assessed Valuation as of August 1, 2026	$1.05	
Status of Home Construction as of September 10, 2026 (g):		
Total Developed Lots	780	
Homes Completed (309 Occupied)	364	
Homes Under Construction or in a Builder's Name	76	
Lots Available for Home Construction	340	

Estimated 2026 Population – 1,081 (h)

(a) As certified by the Chambers County Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."

(b) Provided by the Appraisal District as of August 1, 2026, for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on August 1, 2026. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2026 and August 1, 2026, will be certified as of January 1, 2027. See "TAX PROCEDURES."

(c) After issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

(d) See "ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT."

(e) The District will capitalize $840,000 of interest from proceeds of the Bonds, which is the maximum amount approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(f) The City has agreed to make an annual payment to the District from the City's annual ad valorem tax revenue actually collected and received by the City from the taxpayers within the District (the "Annual Payment"). All Annual Payments received by the District from the City shall be deposited by the District into the Debt Service Fund, and used, along with any interest thereon, solely for the purpose of paying a portion of the principal of and interest on the District's outstanding indebtedness as required by the Utility Agreement. The Annual Payment for each year shall be payable to the District each February 1, beginning in February 2025, and equal to $0.18 per $100 of taxable assessed valuation of the land located in the District, based upon the District's certified taxable assessed valuation for the prior year. As of February 1, 2026, the District received approximately $109,343 from the City. See "THE BONDS—Source of Payment," "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF MONT BELVIEU" and "RISK FACTORS—Utility Agreement with the City of Mont Belvieu."

(g) See "THE DISTRICT—Land Use" and "—Status of Development."

(h) Based upon 3.5 persons per occupied single-family home.

OFFICIAL STATEMENT

$16,000,000

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1

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

UNLIMITED TAX BONDS
SERIES 2026

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Riceland Municipal Utility District No. 1 (the "District") of its $16,000,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

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

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, RDC Partners, LP, a Texas limited partnership ("RDC"), Riceland Development Company, Inc., a Texas corporation ("Riceland Development Company") (RDC and Riceland Development Company are collectively referred to herein as the "Developer") and development activity within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of such documents may be obtained from the District upon payment of the costs of duplication therefor from Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

THE BONDS

Description

The Bonds are dated November 1, 2026 and interest will accrue from the Date of Delivery with interest payable each March 1 and September 1 (each an "Interest Payment Date"), beginning March 1, 2027, and mature on the dates and in the principal amounts and pay interest at the rates shown on the cover page hereof. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "—Book-Entry-Only System" below. Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

In the event the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" 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.

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this OFFICIAL STATEMENT it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this OFFICIAL STATEMENT to registered owners should be read to include the person for which the Participant acquires an interest in the bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and, (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

Registration, Transfer and Exchange

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the Bond Order. While the Bonds are in the Book-Entry-Only System, Bonds will be registered only in the name of Cede & Co and held by DTC. See "—Book-Entry-Only System" herein.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefore a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered Owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the District and Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the District or the Paying Agent/Registrar in connection therewith.

If any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become payable, the District in its discretion may, instead of issuing a replacement Bond, authorize the Paying Agent/Registrar to pay such Bond.

Each replacement Bond delivered in accordance with this Section shall be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., in Houston, Texas. In the Bond Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Source of Payment

The Bonds, 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." Additionally, the City of Mont Belvieu (the "City") has entered into a Utility Agreement with the District pursuant to which the City has agreed to make an Annual Payment to the District from the City's annual ad valorem tax revenue actually collected and received by the City from the taxpayers within the District. All Annual Payments received by the District from the City shall be deposited by the District into the Debt Service Fund, and used, along with any interest thereon, solely for the purpose of paying a portion of the principal of and interest on the Bonds, the Outstanding Bonds and additional bonds payable from ad valorem taxes as required by the Utility Agreement. The Annual Payment for each year shall be payable each February 1 and equal to $0.18 per $100 of taxable assessed valuation based upon the District's certified taxable assessed valuation for the prior year. The obligation of the City to make the Annual Payment to the District shall terminate only after (1) all the District's outstanding debt obligations have been paid in full or otherwise defeased, or (2) the City has dissolved the District and assumed all outstanding District debt obligations in accordance with applicable laws. As of February 1, 2026, the District received approximately $109,343 from the City. See "—Dissolution by the City of Mont Belvieu" herein, "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF MONT BELVIEU" and "RISK FACTORS—Utility Agreement with the City of Mont Belvieu." Although the Annual Payment is to be used solely for the purposes of paying a portion of the principal of and interest on the Bonds, the Outstanding Bonds and additional bonds issued by the District, such Annual Payment will not be pledged to the payment of the Bonds in the Bond Order. Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this OFFICIAL STATEMENT with respect to the investment security of the Bonds. See "RISK FACTORS." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Chambers County, the City, or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the District's Debt Service Fund and Capital Projects Fund. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds and any of the District's duly authorized additional bonds, together with interest thereon, as such becomes due. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, and to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds.

An amount equal to $840,000 of capitalized interest, which is the maximum amount approved by the TCEQ, will be deposited into the Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds will be deposited into the Capital Projects Fund to be used for the purpose of acquiring and constructing District facilities, paying Developer interest, and paying the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of Bond proceeds.

The Bond Order also confirms the previous establishment of the District's General Fund. The District deposits, as collected, all revenues derived from maintenance taxes into the General Fund. From the General Fund, the District pays all administration, operation, and maintenance expenses of the water and sanitary sewer system and the District's storm drainage system, recreational facilities and streetlights in the District. Any funds remaining in the General Fund after payment of maintenance and operating expenses, and to the extent they are ever necessary, after any payments pledged pursuant to the requirements of the Bonds, may be used by the District for any lawful purposes.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2033, prior to their scheduled maturities, in whole or, from time to time in part, in integral multiples of $5,000 on September 1, 2032, or any date thereafter, at a price of the principal amount of bonds to be redeemed plus accrued interest to the date fixed for redemption. If less than all of the Bonds of a given maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by random method selection (or by DTC in accordance with its procedures while the Bonds are in Book-Entry-Only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed.

Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At elections held within the District on November 8, 2022 and November 7, 2023, the voters of the District authorized the issuance of a total of $178,470,000 principal amount of unlimited tax bonds for purposes of acquiring and constructing water, sanitary sewer and drainage facilities. After issuance of the Bonds, the District will have $150,575,000 principal amount of unlimited tax bonds authorized but unissued for purposes of acquiring and constructing water, sanitary sewer, and drainage facilities. See "—Issuance of Additional Debt" herein.

The Commission, pursuant to its order approving sale of the Bonds, has authorized the District to sell the Bonds for the purposes described in "USE AND DISTRIBUTION OF BOND PROCEEDS."

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order, an order of the Commission, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, elections held within the District and the general laws of the State relative to the issuance of bonds by political subdivision of the State. Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT. See "LEGAL MATTERS—Legal Opinion."

Issuance of Additional Debt

The District's voters have authorized the issuance of $178,470,000 in principal amount of unlimited tax bonds for purposes of acquiring and constructing water, sanitary sewer and drainage facilities to serve land within the District. The voters in the District could authorize additional amounts. After issuance of the Bonds, the District will have $150,575,000 in principal amount of unlimited tax bonds authorized but unissued for purposes of acquiring and constructing water, sanitary sewer and drainage facilities. The District's voters have also authorized the issuance of $433,745,000 in principal amount of unlimited tax bonds for the purpose of refunding outstanding bonds of the District, all of which remains authorized but unissued. The Bond Order imposes no limitation on the amount of additional parity bonds which may be subsequently authorized for issuance by the District's voters or the amount ultimately issued by the District. Any additional bonds issued by the District may be on a parity with the Bonds.

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 one percent (1%) of the value of the taxable property in the District at the time of issuance of the bonds, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not greater than three percent (3%) of the value of the taxable property in the District; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; and (v) 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. The issuance of such bonds is subject to rules and regulations adopted by the Commission. The District's voters have authorized $125,000,000 in principal amount of unlimited tax bonds for recreational facilities, all of which remains authorized but unissued.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District's voters have authorized $130,275,000 in principal amount of unlimited tax bonds for the purpose of constructing road facilities, all of which remains authorized but unissued.

Issuance of additional bonds or other subsequently authorized bonds could affect the investment quality or security of the Bonds. See "RISK FACTORS—Future Debt."

Defeasance

The District may defease the Bonds pursuant to provisions of the Bond Order and discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal of and interest on the Bonds in any manner permitted by law. Under current Texas law, such discharge may be accomplished as follows: (1) by paying or causing to pay principal and interest due on the Bonds (whether at maturity, redemption or otherwise) in accordance with the terms of the Bonds; (2) 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 (3) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable with revenues from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing the discharge, moneys or investments which, together with interest earned on or profits to be realized from such investments, will be sufficient to pay principal, interest or redemption price to maturity or to the date fixed for redemption of the Bonds provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, (b) non-callable 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) non-callable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and /or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and /or redemption of the Bonds. Upon such payment or deposit, the Bonds shall no longer be regarded as outstanding and unpaid. However, if the maturity date on the Bonds shall not have then arrived, provision shall be made by the District for payment to the Registered Owners of the Bonds at the date of maturity or at a date fixed for redemption in full amount to which the Registered Owners would be entitled by way of principal, interest and redemption price to the date of such maturity or redemption as provided in the Bond Order, and further provided written notice thereof shall have been given as provided in the Bond Order.

Dissolution by the City of Mont Belvieu

Under existing Texas law, because the District lies wholly within the corporate limits of the City, the District must conform to a City ordinance consenting to the creation of the District and its Utility Agreement with the City. In addition, the District may be dissolved by the City without the District's consent. If the District is dissolved, the City will assume the District's assets and obligations (including the Bonds). Dissolution of the District by the City is a policy matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that dissolution will or will not occur and makes no representation of the City's financial capability to pay debt service on the Bonds if such dissolution were to occur. See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF MONT BELVIEU" for a discussion of certain limitations on the City's right to dissolve the District.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets with the assets of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District currently has no plans to do so.

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.

Amendments

The District has reserved the right to amend the Bond Order without the consent of the Registered Owners as may be required (a) by the provisions of the Bond Order, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Bond Order, or (c) in connection with any other change not to the prejudice of the Registered Owners, but the District may not otherwise amend the terms of the Bonds or of the Bond Order without the consent of the Registered Owners.

No Arbitrage

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

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 observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "RISK FACTORS—Registered Owners' Remedies and Bankruptcy Limitations."

RICELAND

The District is a part of an approximately 1,416-acre master planned community of Riceland. Riceland consists of three (3) municipal utility districts: the District, Riceland Municipal Utility District No. 2 ("Riceland 2"), and Riceland Municipal Utility District No. 3 ("Riceland 3"). Riceland Management District ("Riceland MD") also encompasses all of the acreage in Riceland, including all of the land within the boundaries of the District. The District, Riceland 2, and Riceland 3 are collectively referred to as the "Riceland MUDs." Each of the Riceland MUDs has authority to provide water, wastewater, drainage and road facilities as provided by general law and Article XVI, Section 59, of the Texas Constitution, and Article III, Section 52, Texas Constitution, that relate to the construction, acquisition, improvement, operation, or maintenance of roads. To date, all residential development in Riceland is occurring in the District and Riceland MD and all commercial development in Riceland is occurring in Riceland 3 and Riceland MD.

THE DISTRICT

General

The District is a municipal utility district created by order of the Commission on August 11, 2022, under the provisions of Article XVI, Section 59, of the Texas Constitution. The District operates under provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts. The District is subject to the continuing supervision of the Commission. The District is located wholly within the corporate limits of the City and Barbers Hill Independent School District.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water, the collection, transportation, and treatment of wastewater and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to provide street lighting and to establish, operate, and maintain parks and recreational facilities, independently or with one or more conservation and reclamation districts. Additionally, the District may, subject to certain limitations, develop and finance roads. See "THE BONDS—Issuance of Additional Debt," "THE SYSTEM" and "RISK FACTORS—Future Debt."

Description and Location

The District contains approximately 455 acres of land and is located in Chambers County approximately 35 miles east of downtown Houston. The District is bounded on the northwest by Eagle Pointe Drive, on the south by Eagle Drive and on the east by Farm-to-Market 565. See "AERIAL PHOTOGRAPH."

Land Use

The District's land plan currently includes approximately 223 acres of single-family residential development consisting of 780 single-family residential lots, approximately 3 acres of parks and recreational facilities, approximately 110 acres of undeveloped but developable land and approximately 119 acres of undevelopable land, which consists of drainage easements, detention ponds, pipelines, landscape, recreation and open space, and right of way. The table below represents a detailed breakdown of the current acreage and development in the District.

Single-Family Residential	Approximate Acres	Lots
Riceland		
Section One	22	44
Section Two	14	62
Section Three	22	75
Section Four	24	72
Section Five	21	71
Section Six	25	93
Section Seven	20	75
Section Eight	14	59
Section Nine	18	69
Section Ten	11	54
Section Eleven	19	54
Section Fourteen	13	52
Subtotal	223	780
Recreation	3	--
Future Development	110	--
Non-Developable (a)	119	--
Subtotal	232	--
Totals	455	780

(a) Includes drainage easements, detention ponds, pipelines, landscape, recreation and open space, and right of way.

Status of Development

Single-family residential development in the District currently consists of Riceland, Sections One through Eleven and Fourteen (780 single-family residential lots on approximately 223 acres). As of September 10, 2026, 364 homes were completed (309 occupied), 76 homes were under construction or in a builder's name and 340 vacant developed lots were available for home construction. Of the unoccupied homes and homes under construction, 35 were under contract according to the Developer. The estimated population in the District based upon 3.5 persons per occupied single-family residence is 1,081.

Homebuilders active in the District include Chesmar Homes, David Weekley Homes, Highland Homes, Perry Homes, and Autograph Homes. New homes in the District are being offered for sale at prices ranging from $325,000 to $900,000.

The Lakehouse, a recreation and amenity complex, has been constructed on approximately 3 acres within the District and includes an amenity center, an outdoor patio, a recreational center, an event lawn, a resort-style pool, a dog park, a playground and a dock. The District also contains approximately 110 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities and approximately 119 acres of undevelopable land, which consists of drainage easements, detention ponds, pipelines, landscape and right of way.

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 Developer or third parties. While a developer is required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, 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.

Prospective Bond purchasers should note that the prior real estate experience of the Developer should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See "RISK FACTORS."

The Developer

RDC Partners, LP, a Texas limited partnership ("RDC") is an entity formed by McGrath Real Estate Partners ("McGrath") for the sole purpose of owning and developing land in Riceland, including the District. McGrath is a privately held real estate investment firm located in Houston, Texas. RDC has assigned its reimbursement agreement with the District to Riceland Development Company, Inc., a Texas corporation ("Riceland Development Company"). RDC and Riceland Development Company are affiliated companies through common ownership and are collectively referred to herein as the "Developer." The Developer has developed 780 single-family residential lots on approximately 223 acres to date in Riceland, all of which are located in the District and continues to own approximately 110 acres within the District. See "THE DISTRICT—Status of Development."

Development Financing

The Developer has a development loan with Trez Capital from which the Developer can draw up to a limit of $54,990,372. The loan bears interest at the higher of 11%, or the Prime rate plus 4.50%. The effective interest rate at June 30, 2026 was 11.25%. Interest is payable monthly, and all outstanding principal and interest is due when the loan matures on August 16, 2027. The loan may be extended for two extension terms of six months. Borrowings on the loan are secured by a first lien deed of trust on 89 developed single–family residential lots and approximately 106 acres and guaranteed by shareholders of the Developer. As of June 30, 2026 the Developer has drawn $38,705,176 and repaid $28,240,515 leaving an outstanding balance of $10,464,661. Remaining funds available to draw total $16,285,196. According to the Developer, it is in compliance with all material conditions of the loan.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms, and elections are held in May in even numbered years only. None of the Directors resides within the District, however, each of the directors own a small parcel of land within the District, subject to a deed of trust in favor of the Developer. The Directors of the District are listed below:

Name	Title	Term Expires
William C. Richardson	President	May 2028
Debra Fulleylove	Vice President	May 2028
Jerrod King	Secretary	May 2030
JT Lane	Assistant Secretary	May 2030
Warren Hitchcock	Director	May 2028

While the District does not employ any employees, it has contracted for certain services as follows:

Tax Appraisal

Land and improvements within the District are appraised for ad valorem taxation purposes by the Chambers County Appraisal District.

Tax Assessor/Collector

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

Bookkeeper

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

Engineer

The consulting engineer for the District in connection with the design and construction of certain District facilities is Jones Engineering Solutions, LLC (the "Engineer").

Attorney

The District has engaged Smith, Murdaugh, Little & Bonham, L.L.P. as general counsel and as Bond Counsel in connection with the issuance of the 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 sale and delivery of the Bonds.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit is filed with the Commission. The District's audited financial statements for the fiscal year ending November 30, 2025 have been prepared by McCall Gibson Swedlund Barfoot Ellis PLLC. See "APPENDIX A" for a copy of the District's November 30, 2025 audited financial statements.

Disclosure Counsel

McCall, Parkhurst & Horton L.L.P., Houston, Texas has been engaged by the District to serve as Disclosure Counsel. The fees for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

THE SYSTEM

Regulation

Construction and operation of the District's water, sanitary sewer and storm drainage systems (the "System") as they now exist or as they may be expanded from time-to-time is subject to regulatory jurisdiction of federal, state and local authorities. The Commission exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the Commission and the United States Environmental Protection Agency ("EPA"). Construction of all water, sanitary sewer and storm drainage facilities is subject to the regulatory authority of the City, Chambers County, Texas, the Commission and the EPA, as applicable.

Water Supply and Wastewater Treatment

Water supply and wastewater treatment for the District is provided by the City pursuant to the "Utility Agreement." See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF MONT BELVIEU." The City has allocated water supply and wastewater capacity in an amount adequate to serve existing and proposed development in the District based on current land plan projections. In the event that the City's facilities do not have sufficient capacity to serve the District, the City has agreed to make any necessary improvements to provide such capacity at no cost to the District.

Water Distribution, Wastewater Collection and Storm Drainage

Water distribution, wastewater collection and storm drainage facilities (the "Facilities") have been constructed to serve 780 single-family residential lots within the District. See "THE DISTRICT—Land Use."

Storm Drainage System and 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 rainstorm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District's drainage system has been designed and constructed to all current standards.

The stormwater drainage within the District is collected in a storm sewer system consisting of concrete curb and gutter, which conveys the stormwater runoff to the City of Mont Belvieu's underground storm sewer system. The storm sewer systems will outfall into detention basins that will ultimately outfall into Hodges Gully, then into Cherry Point Gully and into Old River, located northeast of the District. According to the most recent FEMA Floodplain Maps, approximately 90 acres of developable land in the District lie within the 100-year floodplain, in addition to the area contained within the drainage facilities. The Engineer has submitted a Letter of Map Revision to the City of Mont Belvieu and FEMA to remove approximately 90 acres of developable land from the 100-year flood plain. To date, there has been no development on the developable land within the floodplain. See "RISK FACTORS—Extreme Weather Events."

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States. Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

General Operating Fund

The System is owned and operated by the City and no water and sewer revenue is received by the District nor is the District responsible for operation, repair or maintenance of the System.

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ended November 30, 2023 through 2025, and an unaudited summary for the eight-month period ended July 31, 2026 as provided by the Bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

		Fiscal Year Ended November 30		
	12/1/2025 to 7/31/2026 (unaudited)	2025	2024	2023
Revenues				
Property Taxes	$ 490,083	$ 262,626	$ 23,285	$ -
Interest	101	5,675	-	-
Total Revenues	$ 490,184	$ 268,301	$ 23,285	$ -
Expenditures				
Service Operations:				
Professional Fees	$ 66,812	$ 114,865	$ 168,736	$ 82,158
Contracted Services	12,900	17,350	22,146	7,050
Other Expenditures	12,208	17,963	29,323	14,623
Total Expenditures	$ 91,920	$ 150,178	$ 220,205	$ 103,831
Revenues Over (Under) Expenditures	$ 398,264	$ 118,123	$ (196,920)	$ (103,831)
Other Sources (Uses)				
Developer Advances	$ -	$ 40,000	$ 189,000	$ 73,000
Fund Balance (Beginning of Year)	$ 119,372	$ (38,751)	$ (30,831)	$ -
Fund Balance (End of Year)	$ 517,636	$ 119,372	$ (38,751)	$ (30,831)

UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF MONT BELVIEU

The City and the District have entered into the Water Supply and Wastewater Services Agreement by and between the District and the City of Mont Belvieu, Texas, dated March 27, 2024 and the First Amendment to Water Supply and Wastewater Services Agreement by and between the District and the City of Mont Belvieu, Texas dated November 25, 2024, together (the "Utility Agreement"). Pursuant to the Utility Agreement, the District has agreed to acquire and construct, at its sole expense, a water distribution system, sewage collection system and drainage system to serve the District and to convey such water and sewer and drainage facilities to the City for ownership, operation and maintenance at the City's expense. The City shall bill and collect for services, including connection charges, from the District's customers and all revenues shall be the property of the City. The City has agreed to provide the District with its ultimate requirements for water supply and distribution and wastewater treatment and collection subject to the terms and conditions of the Utility Agreement. The City's fees for services and connection charges may be amended by the City from time to time and at any time, subject to certain limitations imposed by state law. Furthermore, the City has agreed to make an annual payment to the District from the City's annual ad valorem tax revenue actually collected and received by the City from the taxpayers within the District (the "Annual Payment"). All Annual Payments received by the District from the City shall be deposited by the District into the Debt Service Fund, and used, along with any interest thereon, solely for the purpose of paying a portion of the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from ad valorem taxes. See "THE BONDS—Source of Payment." The Annual Payment for each year shall be payable each February 1 and equal to $0.18 per $100 of taxable assessed valuation based upon the District's certified taxable assessed valuation for the prior year. The Annual Payment will increase in the event that the portion of the City's tax rate that is attributable to water, sewer, drainage and park or recreational facilities exceeds $0.15 per $100 by the amount in excess of $0.15. By way of example, should the City's tax rate that is attributable to water, sewer drainage and park or recreational facilities increase to $0.18 per $100, then the Annual Payment to the District shall increase to $0.21 per $100. As of February 1, 2026, the District received approximately $109,343 from the City. The obligation of the City to make the Annual Payment to the District shall terminate only after (1) all the District's outstanding debt obligations have been paid in full or otherwise defeased, or (2) the City has dissolved the District and assumed all outstanding District debt obligations in accordance with applicable laws. Any reduction in the amount of the Annual Payment would have an effect on the District's rate of taxation. See "THE BONDS—Dissolution by the City of Mont Belvieu" and "RISK FACTORS—Utility Agreement with the City of Mont Belvieu."

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were approved by the TCEQ in its order authorizing the issuance of the Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and agreed-upon procedures are completed by an independent accountant. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ where required.

CONSTRUCTION COSTS	
Riceland, Section 3 - Water and Storm Drainage	$ 1,611,035
Riceland, Section 4 - Water, Wastewater and Storm Drainage	35,067
Riceland, Section 6 - Water, Wastewater and Storm Drainage	9,410
Riceland, Section 7 - Water, Wastewater and Storm Drainage	2,009,194
Riceland, Section 8 - Water, Wastewater and Storm Drainage	707,743
Riceland, Section 9 - Water, Wastewater and Storm Drainage	1,086,125
Riceland, Section 11 - Water, Wastewater and Storm Drainage	1,523,408
Phase 1 Mass Grading	336,700
Phase 1 Stormwater Pollution Prevention	137,653
Canal District Sheet Piles	1,591,236
Canal View Boulevard (East)	1,073,240
Clearing and Grubbing 2024	306,336
Land Costs for Detention Reserves Sections 3 and 4	518,103
Engineering	1,418,358
Total Construction Costs	**$ 12,363,608**
NON-CONSTRUCTION COSTS	
Bond Discount	$ 480,000
Developer Interest (Estimated)	1,375,796
Capitalized Interest (a)	840,000
Total Non-Construction Costs	**$ 2,695,796**
ISSUANCE COSTS AND FEES	
Issuance Costs and Professional Fees	$ 810,596
Bond Application Report Costs	80,500
State Regulatory Fees	49,500
Total Issuance Costs and Fees	**$ 940,596**
TOTAL BOND ISSUE	**$ 16,000,000**

(a) The TCEQ approved a maximum of $840,000 of capitalized interest.

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the TCEQ. In the event actual costs exceed previously estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2026 Certified Taxable Assessed Valuation	$165,155,645	(a)
Estimated Taxable Assessed Valuation as of August 1, 2026	$205,477,768	(b)
Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds)	$27,785,000	(c)
Estimated Overlapping Debt	8,407,325	(d)
Gross Direct Debt and Estimated Overlapping Debt	$36,192,325	
Ratios of Gross Direct Debt to:		
2026 Certified Taxable Assessed Valuation	16.82%	
Estimated Taxable Assessed Valuation as of August 1, 2026	13.52%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2026 Certified Taxable Assessed Valuation	21.91%	
Estimated Taxable Assessed Valuation as of August 1, 2026	17.61%	
Funds Available for Debt Service:		
Debt Service Fund Balance as of September 14, 2026	$ 358,780	
Capitalized Interest from Proceeds of the Bonds	840,000	(e)
Total Funds Available for Debt Service	$1,198,780	(f)
Operating Funds Available as of September 14, 2026	$476,750	
Capital Project Funds Available as of September 14, 2026	$366,318	

(a) As certified by the Chambers County Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
(b) Provided by the Appraisal District as of August 1, 2026, for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on August 1, 2026. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2026 and August 1, 2026, will be certified as of January 1, 2027. See "TAX PROCEDURES."
(c) After issuance of the Bonds. See "—Outstanding Bonds" below.
(d) See "ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT."
(e) The District will capitalize $840,000 of interest from proceeds of the Bonds, which is the maximum amount approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
(f) The City has agreed to make an annual payment to the District from the City's annual ad valorem tax revenue actually collected and received by the City from the taxpayers within the District (the "Annual Payment"). All Annual Payments received by the District from the City shall be deposited by the District into the Debt Service Fund, and used, along with any interest thereon, solely for the purpose of paying a portion of the principal of and interest on the District's outstanding indebtedness as required by the Utility Agreement. The Annual Payment for each year shall be payable to the District each February 1, beginning in February 2025, and equal to $0.18 per $100 of taxable assessed valuation of the land located in the District, based upon the District's certified taxable assessed valuation for the prior year. As of February 1, 2026, the District received approximately $109,343 from the City. See "THE BONDS—Source of Payment," "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF MONT BELVIEU" and "RISK FACTORS—Utility Agreement with the City of Mont Belvieu."

District Investment Policy

The District's goal is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Funds of the District are invested either in short term U.S. Treasury obligations or certificates of deposit insured by the Federal Deposit Insurance Corporation or secured by collateral held by a third-party institution. The District does not own any long-term securities or derivative products in the District's investment portfolio.

Outstanding Bonds

Series	Original Principal Amount	Outstanding Bonds
2024	$ 5,670,000	$ 5,560,000
2025	6,225,000	6,225,000
Total	$ 11,895,000	$ 11,785,000

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds and the Bonds. This schedule does not reflect the fact that an amount equal to twelve (12) months of interest was capitalized from proceeds of the Outstanding Bonds in November 2025 and that $840,000 of interest, which is the maximum amount approved by the TCEQ, will be capitalized from proceeds of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2027	$ 802,031	$ -	$ 743,116.81	$ 743,116.81	$ 1,545,148.06
2028	802,719	335,000	897,725.00	1,232,725.00	2,035,443.75
2029	802,656	350,000	872,600.00	1,222,600.00	2,025,256.25
2030	796,731	370,000	846,350.00	1,216,350.00	2,013,081.25
2031	795,381	390,000	818,600.00	1,208,600.00	2,003,981.25
2032	793,169	410,000	789,350.00	1,199,350.00	1,992,518.75
2033	790,206	430,000	758,600.00	1,188,600.00	1,978,806.25
2034	791,381	450,000	726,350.00	1,176,350.00	1,967,731.25
2035	786,481	470,000	692,600.00	1,162,600.00	1,949,081.25
2036	790,606	495,000	657,350.00	1,152,350.00	1,942,956.25
2037	793,894	520,000	632,600.00	1,152,600.00	1,946,493.75
2038	796,344	545,000	606,600.00	1,151,600.00	1,947,943.75
2039	797,956	575,000	579,350.00	1,154,350.00	1,952,306.25
2040	798,431	605,000	550,600.00	1,155,600.00	1,954,031.25
2041	802,750	630,000	520,350.00	1,150,350.00	1,953,100.00
2042	805,663	665,000	488,062.50	1,153,062.50	1,958,725.00
2043	807,488	695,000	453,981.25	1,148,981.25	1,956,468.75
2044	813,213	730,000	418,362.50	1,148,362.50	1,961,575.00
2045	812,263	770,000	380,950.00	1,150,950.00	1,963,212.50
2046	815,194	805,000	341,487.50	1,146,487.50	1,961,681.25
2047	821,775	845,000	300,231.25	1,145,231.25	1,967,006.25
2048	821,813	890,000	256,925.00	1,146,925.00	1,968,737.50
2049	825,500	935,000	211,312.50	1,146,312.50	1,971,812.50
2050	832,625	980,000	162,225.00	1,142,225.00	1,974,850.00
2051	417,500	1,030,000	110,775.00	1,140,775.00	1,558,275.00
2052	-	1,080,000	56,700.00	1,136,700.00	1,136,700.00
Total	$ 19,713,769	$ 16,000,000	$ 13,873,154.31	$ 29,873,154.31	$ 49,586,923.06

Average Annual Debt Service Requirements (2027-2052) $1,907,189
Maximum Annual Debt Service Requirement (2028) $2,035,444

ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Chambers County	$ 211,325,000	8/31/2026	0.34%	$ 718,505
City of Mont Belvieu	161,505,000	8/31/2026	1.03%	1,663,502
Barbers Hill Independent School District	541,355,000	8/31/2026	0.37%	2,003,014
Riceland Management District	14,350,000	(a)	28.03%	4,022,305
Total Estimated Overlapping Debt				$ 8,407,325
The District	27,785,000	(b)	100.00%	27,785,000
Total Direct and Estimated Overlapping Debt				$ 36,192,325

Direct and Estimated Overlapping Debt as a Percentage of:

2026 Certified Taxable Assessed Valuation of $165,155,645 ..... 21.91%

Estimated Taxable Assessed Valuation as of August 1, 2026 of $205,477,768 ..... 17.61%

(a) Includes $2,200,000 principal amount of unlimited tax road bonds that are expected to be issued on November 3, 2026. See "RISK FACTORS—Overlapping Debt and Taxes."

(b) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see "—Estimated Overlapping Debt" herein), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2026 tax year by all taxing jurisdictions overlapping the District and the District's 2026 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	2026 Tax Rate per $100 of Taxable Assessed Valuation
Chambers County (a)……	$ 0.414425
Chambers County School Fund……	0.025321
City of Mont Belvieu……	0.505309
Barbers Hill Independent School District……	1.052300
Riceland Management District (b)……	0.500000
Total Overlapping Tax Rate……	$ 2.497355
The District (c)……	0.800000
Total Tax Rate……	$ 3.297355

(a) Includes 2026 tax rate for the Chambers County Special Road & Bridge Fund and Chambers County Farm-to-Market/Flood Control Fund.
(b) See "RISK FACTORS—Overlapping Debt and Taxes.
(c) See "TAX DATA—Tax Rate Distribution."

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Outstanding Bonds and the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Outstanding Bonds and the Bonds. The District levied a debt service tax for 2026 at the rate of $0.67 per $100 taxable assessed valuation. See "—Tax Rate Distribution" herein.

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. At an election held November 8, 2022, the Board was authorized to levy such a maintenance tax at a rate not to exceed $1.50 per $100 taxable assessed valuation for operations and maintenance costs. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any additional tax bonds which may be issued in the future. The District levied a maintenance and operations tax for 2026 at the rate of $0.13 per $100 taxable assessed valuation. See "—Tax Rate Distribution" herein.

Tax Exemptions

For the tax year 2026, the District has not adopted any tax exemptions for property located within the District. See "TAX PROCEDURES."

Tax Rate Distribution

	2026	2025	2024	2023 (a)
Debt Service	$ 0.670	$ 0.245	$ -	$ -
Maintenance and Operations	0.130	0.555	0.800	0.800
Total	$ 0.800	$ 0.800	$ 0.800	$ 0.800

(a) Initial year of taxation

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 these records for further and more complete information.

Tax Year	Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy	Total Collections as of August 31, 2026 (b) Amount	Percent
2023	$ 2,931,390	$ 0.80	$ 23,451	$ 23,451	100.00%
2024	32,807,535	0.80	262,460	262,460	100.00%
2025	70,457,653	0.80	563,661	555,145	98.49%
2026	165,155,645	0.80	1,321,245	(c)	(c)

(a) As certified by the Appraisal District. See "—Tax Roll Information" below for gross appraised value and exemptions granted by the District.
(b) Unaudited.
(c) In process of collection. Taxes for 2026 are due by January 31, 2027.

Tax Roll Information

The following summary of the 2026, 2025 and 2024 Certified Taxable Assessed Valuation is provided by the District's Tax Assessor/Collector based on information contained in the 2026, 2025 and 2024 tax rolls of the District. An accurate breakdown related to the Estimated Taxable Assessed Valuation as of August 1, 2026 is not available from the Appraisal District as of the date hereof.

	2026 Certified Taxable Assessed Valuation	2025 Certified Taxable Assessed Valuation	2024 Certified Taxable Assessed Valuation
Land	$ 64,694,770	$ 34,838,610	$ 32,367,810
Improvements	106,556,770	35,550,450	-
Personal Property	1,212,669	1,123,553	443,055
Exemptions	(5,864,184)	(1,054,960)	(3,330)
Total	$ 165,155,645	$ 70,457,653	$ 32,807,535

Additional Penalties

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

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the 2026 Certified Taxable Assessed Valuation of $165,155,645, which reflects ownership as of January 1, 2026. An accurate principal taxpayer list related to the Estimated Taxable Assessed Valuation as of August 1, 2026, of $205,477,768, is not available from the Appraisal District as of the date hereof.

Taxpayer	2026 Certified Taxable Assessed Valuation	% of 2026 Certified Taxable Assessed Valuation
Chesmar Homes LLC (a)	$ 15,864,800	9.61%
Perry Homes LLC (a)	13,661,830	8.27%
Highland Homes - Houston LLC (a)	13,533,490	8.19%
Weekley Homes LLC (a)	11,177,240	6.77%
Riceland Development Company Inc. (b)	5,236,280	3.17%
RDC Partners LP (b)	1,848,360	1.12%
SFA Riceland LLC	1,394,350	0.84%
Individual	769,370	0.47%
Individual	756,840	0.46%
Individual	719,100	0.44%
Total	$ 64,961,660	39.33%

(a) Homebuilders.
(b) See "THE DEVELOPER."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the 2026 Certified Taxable Assessed Valuation of $165,155,645 and the Estimated Taxable Assessed Valuation as of August 1, 2026 of $205,477,768. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in the taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no Annual Payments pursuant to the Utility Agreement for payment of debt service. See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF MONT BELVIEU," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "RISK FACTORS—Utility Agreement with the City of Mont Belvieu" and "—Impact on District Tax Rates."

Average Annual Debt Service Requirement (2027-2052) $1,907,189
$1.22 Tax Rate on the 2026 Certified Taxable Assessed Valuation $1,914,154
$0.98 Tax Rate on the Estimated Taxable Assessed Valuation as of August 1, 2026 ..... $1,912,998

Maximum Annual Debt Service Requirement (2028) $2,035,444
$1.30 Tax Rate on the 2026 Certified Taxable Assessed Valuation $2,039,672
$1.05 Tax Rate on the Estimated Taxable Assessed Valuation as of August 1, 2026 ..... $2,049,641

No representations or suggestions are made that the Estimated Taxable Assessed Valuation as of August 1, 2026, provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See "TAX PROCEDURES."

TAX PROCEDURES

Authority to Levy Taxes

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

Tax Code and County-Wide Appraisal District

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

The Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Chambers County Appraisal District has the responsibility for appraising property for all taxing units within Chambers County, including the District. Such appraisal values are subject to review and change by the Chambers County Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, and mobile homes in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; 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 and of certain disabled persons to the extent deemed advisable by the Board. For the 2026 tax year, the District has not granted any such exemptions. Additionally, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 depending on the disability rating of the veteran. 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. Partially disabled veterans or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. The surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than $5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has not granted a general homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and

the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in- transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has not taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

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

Valuation of Property for Taxation

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

The Tax Code permits land designated for agricultural or timber land use to be appraised at its value based on the land's capacity to produce agricultural products or, with respect to timber land, the value based upon accepted income capitalization methods. The 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 of such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural, timber land or residential real property appraisal must apply for such appraisal, and the Appraisal District is required to act on each claimant's application individually. If a claimant receives the agricultural or timber land appraisal on land and later changes the land use or sells the land to an unqualified owner, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the three years preceding the year in which the change of use occurs that the land was appraised as agricultural or timber land and the tax that would have been imposed had the land been taxed on the basis on market value in each of those years.

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

The 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 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 Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Tax Code. The Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. However, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

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

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

RISK FACTORS

General

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

Dependence on Principal Taxpayers

There is a large concentration of ownership of taxable value in the District. The top ten principal taxpayers within the District represent $64,961,660 or 39.33% of the 2026 Certified Taxable Assessed Valuation of $165,155,645, which represents ownership as of January 1, 2026. If a principal taxpayer were to default in the payment of taxes in an amount which exceeds the balance in the debt service fund (see "THE BONDS—Source of Payment"), the ability of the District to make timely payment of debt service on the Bonds would be dependent on the ability of the District to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in the District being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service funds or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. See "—Tax Collections Limitations" herein and "TAX PROCEDURES—Levy and Collection of Taxes."

The Developer has informed the District that its current plans are to continue developing its property in the District and/or marketing lots. However, neither the Developer nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of any information related to any proposed development should not be interpreted as a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer and other landowners to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic conditions or governmental circumstances may have on any plans of the Developer, their affiliates or any other landowners.

Utility Agreement with the City of Mont Belvieu

The City and the District have entered into the Water Supply and Wastewater Services Agreement by and between the District and the City of Mont Belvieu, Texas, dated March 27, 2024 and the First Amendment to Water Supply and Wastewater Services Agreement by and between the District and the City of Mont Belvieu, Texas dated November 25, 2024, together (the "Utility Agreement"). Pursuant to the Utility Agreement, the City has agreed to make an annual payment to the District from the City's annual ad valorem tax revenue actually collected and received by the City from the taxpayers within the District (the "Annual Payment"). All Annual Payments received by the District from the City shall be deposited by the District into the Debt Service Fund, and used, along with any interest thereon, solely for the purpose of paying a portion of the principal of and interest on the Bonds and the Outstanding Bonds, and any additional bonds payable from ad valorem taxes as required by the Utility Agreement. See "THE BONDS—Source of Payment." The Annual Payment for each year shall be payable each February 1, beginning in February 2025, and equal to $0.18 per $100 of taxable assessed valuation based upon the District's certified taxable assessed valuation for the prior year. The Annual Payment may be increased in the future should the portion of the City's tax rate attributable to water, sewer, drainage and park and recreational facilities exceed $0.15 per $100 of taxable assessed valuation. As of February 1, 2026, the District received approximately $109,343 from the City. The obligation of the City to make the Annual Payment to the District shall terminate only after (1) all the District's outstanding debt obligations have been paid in full or otherwise defeased, or (2) the City has dissolved the District and assumed all outstanding District debt obligations in accordance with applicable laws. Any reduction in the amount of the Annual Payment would have an effect on the District's rate of taxation. If the City fails to make the Annual Payment to the District in a timely manner, the District may need to increase its debt service tax rate. See "THE BONDS—Source of Payment," "—Dissolution by the City of Mont Belvieu" and "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF MONT BELVIEU."

Undeveloped Acreage and Vacant Lots

There are approximately 110 developable acres of land within the District that have not been fully provided with water, wastewater, storm drainage and road facilities necessary for the construction of new development and 340 developed single-family residential lots that remain vacant as of September 10, 2026. The District makes no representation as to when or if development of the undeveloped acreage will occur or the success of any homebuilding programs. Future increases in values will result primarily from the construction of homes by builders. Failure of the Developer to develop the developable land or of builders to build homes on developed lots could restrict the rate of growth of taxable values in the District. See "THE DISTRICT—Land Use" and "—Status of Development."

Developer/Landowner Obligation to the District

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

Increase in Costs of Building Materials

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and of developed lots which are currently being marketed by the Developer for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see "—Credit Markets and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity could tend to restrict the growth of property values in the District or could adversely impact such values. The District is located in Chambers County, within the corporate limits of the City, and the success of development within the District and growth of District property values are, to a great extent, a function of the greater Houston region metropolitan area economy.

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, particularly liquidity in the national credit markets, 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 35 miles 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 national credit and financial markets. A decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is approximately 35 miles east from downtown Houston, could be affected by competition from other residential developments in the eastern portion of the greater Houston area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of builders in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

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 taxes. The 2026 Certified Taxable Assessed Valuation is $165,155,645. After issuance of the Bonds, the maximum annual debt service requirement will be $2,035,444 (2028) and the average annual debt service requirement will be $1,907,189 (2027-2052, inclusive). Assuming no increase or decrease from the 2026 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, a tax rate of $1.30 per $100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $2,035,444 and a tax rate of $1.22 per $100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $1,907,189 (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements"). The Estimated Taxable Assessed Valuation as of August 1, 2026 is $205,477,768, which reduces the above tax calculations to $1.05 and $0.98 per $100 of taxable assessed valuation, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2026 Certified Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of August 1, 2026, the District can make no representations regarding the future level of assessed valuation within the District. Increases in taxable values depend primarily on the continuing construction and sale of taxable improvements within the District. See "TAX DATA—Tax Adequacy for Debt Service" and "TAX PROCEDURES."

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of August 1, 2026 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See "TAX PROCEDURES."

Overlapping Debt and Taxes

All of the land within the District is included within the boundaries of the Riceland MD and is also subject to taxation by Riceland MD. Riceland MD has levied a 2026 tax rate in the amount of $0.50 per $100 of taxable assessed valuation. Riceland MD has issued a total of $12,245,000 principal amount of unlimited tax road bonds, of which $12,150,000 principal amount remains outstanding as of the date hereof. In addition, Riceland MD expects to issue an additional $2,200,000 principal amount of unlimited tax road bonds, which are expected to be issued on November 3, 2026. The District's 2026 tax rate of $0.80 per $100 of taxable assessed valuation, in combination with the 2026 tax rate of Riceland MD is $1.30 per $100 of taxable assessed valuation.

The District cannot represent whether any of the development planned or occurring in Riceland MD will be successful or whether the appraised valuation of the land located within Riceland MD will justify continued payment of the taxes by property owners. An increase in Riceland MD's tax rate could have an adverse impact upon future development and home sales within the District and in the willingness of owners of property located within the District to pay ad valorem taxes levied by Riceland MD and the District.

The tax rate that may be required to service debt on any bonds issued by the District or Riceland MD is subject to numerous uncertainties such as the growth of taxable values within the boundaries of each, regulatory approvals, construction costs and interest rates. There can be no assurances that the composite of the tax rates imposed by all jurisdictions on property in the District will be competitive with the composite of the tax rates imposed on competing projects in the Chambers County area. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. A combined tax rate of $1.30 per $100 of taxable assessed valuation for the District and Riceland MD is higher than the tax rate of many utility districts in the Houston metropolitan area, although such combined rate is within the range of tax rates imposed for similar purposes by many utility districts in the Houston metropolitan area in stages of development comparable with the District.

The current TCEQ rules regarding the feasibility of a bond issue for utility districts in Chambers County limit the projected combined total tax rate of entities levying a tax for water, sewer, drainage, roads and recreational facilities to $1.50 per $100 of taxable assessed valuation. In the case of the District, the total combined tax rate under current TCEQ rules includes the tax rate of the District in combination with Riceland MD. The current combined tax rate of the District and Riceland MD is consistent with the rules of the TCEQ. If the total combined tax rate of the District and Riceland MD should ever exceed $1.50 per $100 of taxable assessed valuation, the District and Riceland MD could be prohibited under rules of the TCEQ from selling additional bonds which require the prior approval of TCEQ. See "—Impact on District Tax Rates" herein and "ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT."

Tax Collections 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 market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. 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. The 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."

Potential Effects of Oil Price Volatility on the Houston Area

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

Extreme Weather Events

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

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

Specific Flood Type Risks

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.

Future Debt

The District's voters have authorized a total of $178,470,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, sanitary sewer, and drainage facilities, and after issuance of the Bonds, $150,575,000 in principal amount of unlimited tax bonds for water, sanitary sewer, and drainage facilities will remain authorized but unissued. The District's voters have also authorized a total of $130,275,000 in principal amount of unlimited tax bonds for the purpose of constructing roads and related facilities, a total of $125,000,000 in principal amount of unlimited tax bonds for the purpose of constructing or acquiring park and recreational facilities, and a total of $433,745,000 in principal amount of unlimited tax bonds for the purpose of refunding outstanding bonds of the District, of which all of the principal amount of unlimited tax bonds for constructing roads and related facilities, constructing or acquiring park and recreational facilities, and for refunding purposes remain authorized but unissued. See "THE BONDS—Issuance of Additional Debt." The issuance of such 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 of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities and recreational facilities must be approved by the Commission.

To date, the Developer has advanced certain funds for construction of water and stormwater drainage facilities, roads and parks and recreational facilities which has not been reimbursed. After reimbursement with proceeds of the Bonds, the District will owe the Developer approximately $4,600,000 for funds advanced to construct water and stormwater drainage facilities, roads and parks and recreational facilities in the District. The District intends to issue additional bonds in the future in order to develop the remainder of undeveloped but developable land (approximately 110 acres). The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. However, the outstanding principal amount of bonds issued to finance parks and recreational facilities may not exceed one percent (1%) of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may not exceed an amount equal to three percent (3%) of the value of the taxable property in the District.

In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt." The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and investment quality and value of the Bonds.

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

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

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

A district may not be forced into bankruptcy involuntarily.

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 "TAX MATTERS."

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.

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. 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 District's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the City of Mont Belvieu. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District's inclusion in the MS4 Permit 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. See "THE SYSTEM—Stormwater Discharge 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.

Changes in Tax Legislation

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

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.

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 have 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 of 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 Opinion

The District will furnish the Initial Purchaser a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving 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 Bonds are valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied without limitation as to rate or amount upon all taxable property within the District. The District also will furnish the approving legal opinion of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel to the District ("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 the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application affecting rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District and that interest on the Bonds is excludable from gross income for federal income tax purposes under existing laws subject to the matters described under the caption which follows entitled "TAX MATTERS."

Legal Review

In its capacity as Bond Counsel, Smith, Murdaugh, Little & Bonham, L.L.P. has reviewed the information appearing in this OFFICIAL STATEMENT under the captions "THE BONDS" (except for "—Book-Entry-Only System"), "THE DISTRICT—General," "MANAGEMENT—Attorney," "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF MONT BELVIEU," "TAX PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds.

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Opinion

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 (the "Code"). Interest on the Bonds may be excludable in certain corporations "adjusted financial statement income" determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

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

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. 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 the purchase, ownership or disposition of the Bonds.

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

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

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

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

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

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

Federal Income Tax Accounting Treatment of Premium Bonds

The initial public offering price of certain Bonds (the "Premium Bonds") is greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon the 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.

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 statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

Interest on the Bonds may be includable in the "adjusted financial statement income" of certain corporations as 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.

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.

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.

Not Qualified Tax-Exempt Obligations for Financial Institutions

The District has not designated the Bonds as "qualified tax-exempt obligations" for financial institutions.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) 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"). No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM" 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.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest cost, which bid was tendered by Robert W. Baird & Co., Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of 97.00% of the principal amount thereof which resulted in a net effective interest rate of 5.503416% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Prices and Marketability

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

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

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 certain other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described 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 engaged 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" – Jones Engineering Solutions, LLC ("Engineer") and Records of the District ("Records"); "THE DEVELOPER" – the Developer; "THE SYSTEM" – Engineer; "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)" – Chambers County Appraisal District and Utility Tax Service, LLC, Tax Assessor/Collector; "ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT" – Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" – Utility Tax Service, LLC; "MANAGEMENT" – District Directors; "THE SYSTEM—General Operating Fund" – Records; "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—DEBT SERVICE REQUIREMENTS" – Financial Advisor; 'THE BONDS" (except for "—Book-Entry-Only System"), "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF MONT BELVIEU," "TAX PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" – Smith, Murdaugh, Little & Bonham, L.L.P.

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.

Auditor: The District's audited financial statements for the year ended November 30, 2025, were prepared by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountant. See "APPENDIX A" for a copy of the District's November 30, 2025, audited financial statements.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering matters and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by Jones Engineering Solutions, 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 has been provided by the Chambers County Appraisal District and has been included herein in reliance upon the authority of such entity to establish the taxable value of property in Chambers County, including in the District.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the Certified Taxable Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Utility Tax Service, LLC, and is included herein in reliance upon the authority of such firm as an expert in assessing and collecting taxes.

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

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board of Directors in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in 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"). This information will be available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED), "TAX DATA," and "APPENDIX A." The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2026.

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 "Rule"). 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 November 30. Accordingly, it must provide updated information by May 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB via EMMA of the change.

Specified Event Notices

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

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB Board. The MSRB makes the information available to the public without charge through its EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided.

Compliance With Prior Undertakings

Since its first issuance of bonds in 2024, the District has complied in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

This OFFICIAL STATEMENT was approved by the Board of Directors of Riceland Municipal Utility District No. 1, as of the date shown on the cover page.

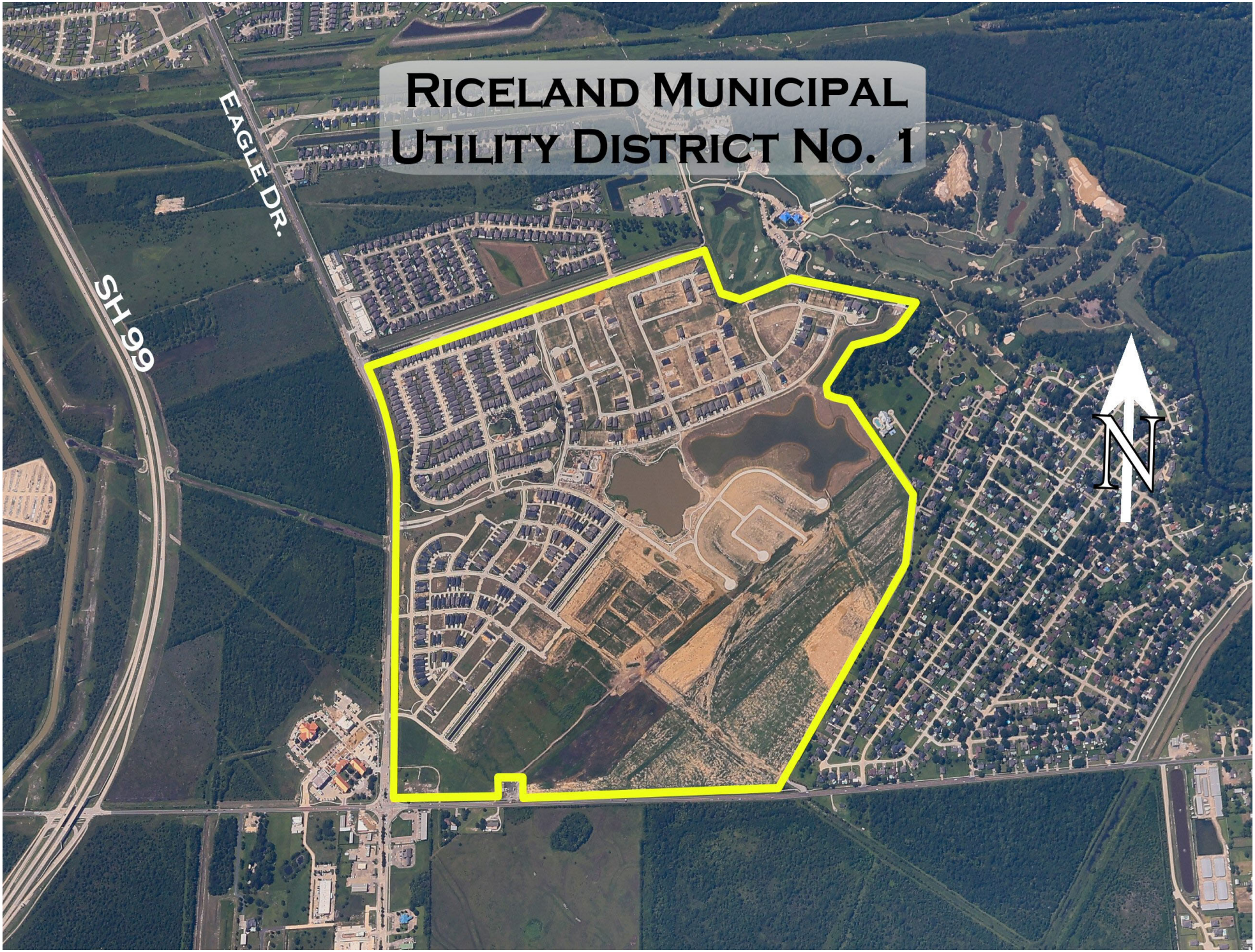
/s/ William C. Richardson
President, Board of Directors

ATTEST:

/s/ Jerrod King
Secretary, Board of Directors

AERIAL PHOTOGRAPH

(As of August 2026)


Riceland Municipal
Utility District No. 1
Eagle Dr.
SH 99
N

PHOTOGRAPHS OF THE DISTRICT

(As of August 2026)

HIGHLAND
SOLD
HIGHLAND
NO PARKING ON DRIVEWAY
$200 FINE

PERRY HOMES
NO PARKING
PERRY HOMES
SOLD
Excellence.

HIGHLAND
SOLD

HIGHLAND
SOLD

homeGUARD
2097

DRYline
PERRY HOMES
SOLD

APPENDIX A

District Audited Financial Statements for the fiscal year ended November 30, 2025

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1

CHAMBERS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

NOVEMBER 30, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin

Mike M. McCall
(retired)
Debbie Gibson
(retired)

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Riceland Municipal Utility District No. 1
Chambers County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Riceland Municipal Utility District No. 1 (the "District") as of and for the year ended November 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Riceland Municipal Utility District No. 1

Supplementary Information

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

McCall Gibson Swedlund Barfoot Ellis PLLC

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

February 9, 2026

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED NOVEMBER 30, 2025

Management's discussion and analysis of the financial performance of Riceland Municipal Utility District No. 1 (the "District") provides an overview of the District's financial activities for the year ended November 30, 2025. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets by $3,117,082 as of November 30, 2025. A portion of the District's net position reflects its net investment in capital assets which includes utility infrastructure less any debt used to acquire those assets that is still outstanding.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table presents a comparative analysis of government-wide changes in the Statement of Net Position for the current and prior fiscal years.

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	$ 1,827,620	$ 276,892	$ 1,550,728
Capital Assets (Net of Accumulated Depreciation)	19,811,499	10,085,795	9,725,704
Total Assets	$ 21,639,119	$ 10,362,687	$ 11,276,432
Due to Developer	$ 12,109,775	$ 10,644,280	$ (1,465,495)
Bonds Payable	11,921,977		(11,921,977)
Other Liabilities	163,150	52,042	(111,108)
Total Liabilities	$ 24,194,902	$ 10,696,322	$ (13,498,580)
Deferred Inflows of Resources	$ 561,299	$ 263,435	$ (297,864)
Net Position:			
Net Investment in Capital Assets	$ (3,552,052)	$ (256,485)	$ (3,295,567)
Restricted	617,598		617,598
Unrestricted	(182,628)	(340,585)	157,957
Total Net Position	$ (3,117,082)	$ (597,070)	$ (2,520,012)

The following table summarizes the District's operations for the years ended November 30, 2025 and November 30, 2024.

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	$ 262,460	$ 23,451	$ 239,009
Other Revenues	84,938		84,938
Total Revenues	$ 347,398	$ 23,451	$ 323,947
Expenses for Services	2,867,410	516,690	(2,350,720)
Change in Net Position	$ (2,520,012)	$ (493,239)	$ (2,026,773)
Net Position, Beginning of Year	(597,070)	(103,831)	(493,239)
Net Position, End of Year	$ (3,117,082)	$ (597,070)	$ (2,520,012)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balance as of November 30, 2025, were $1,171,687, an increase of $1,210,438 from the prior year.

The District's General Fund fund balance increased by $158,123, primarily due to maintenance tax revenues and developer advances exceeding professional and administrative costs.

The Debt Service Fund fund balance increased by $686,114, primarily due to the structure of the District's outstanding debt and receipt of capitalized interest in connection with the sale of the Series 2024 Bonds and Series 2025 Bonds.

The Capital Projects Fund fund balance increased by $366,201. The District sold its Series 2024 Bonds and Series 2025 Bonds during the current fiscal year (see Note 11).

BUDGETARY HIGHLIGHTS

The Board of Directors adopted a budget for the General Fund for the current fiscal year. Actual revenues were $18,301 more than budgeted revenues, actual expenditures were $8,768 more than budgeted expenditures, and actual developer advances were $40,000 more than budgeted developer advances. The result was a positive variance of $49,533. See the budget to actual comparison for more detailed information.

CAPITAL ASSETS

Changes in capital assets for the current fiscal year are summarized in the following table:

Capital Assets At Year-End

	2025	2024	Change Positive (Negative)
Capital Assets Subject to Depreciation:			
Water System	$ 4,522,371	$ 2,097,681	$ 2,424,690
Wastewater System	4,945,073	2,329,859	2,615,214
Drainage System	11,034,594	5,954,740	5,079,854
Accumulated Depreciation	(690,539)	(296,485)	(394,054)
Total Net Capital Assets	$ 19,811,499	$ 10,085,795	$ 9,725,704

LONG-TERM DEBT ACTIVITY

The District recorded an amount due to developer of $12,109,775 which consists of payments made by the developer for operating advances and construction costs.

At the end of the current fiscal year, the District had total bond debt payable of $11,895,000. The change in bonds payable during the current fiscal year is summarized in the following table:

Bond Debt Payable, December 1, 2024	$ - 0 -
Add: Bond Sales	11,895,000
Bond Debt Payable, November 30, 2025	$ 11,895,000

The District's Series 2024 Bonds do not carry insured nor underlying ratings. The District's Series 2025 Bonds carry an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Corporation. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Riceland Municipal Utility District No. 1, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
NOVEMBER 30, 2025

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 104,191	$ 717,078
Property Taxes Receivable	381,026	168,201
Due from Other Funds	27,240	
Prepaid Costs	5,923	
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 518,380	$ 885,279
LIABILITIES		
Accounts Payable	$ 9,607	$ 27
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		27,240
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 9,607	$ 27,267
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 389,401	$ 171,898
FUND BALANCES		
Nonspendable: Prepaid Costs	$ 5,923	$
Restricted for Authorized Construction		
Restricted for Debt Service		686,114
Unassigned	113,449	
TOTAL FUND BALANCES	$ 119,372	$ 686,114
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 518,380	$ 885,279
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 451,201	$ 1,272,470	$	$ 1,272,470
	549,227		549,227
	27,240	(27,240)	
	5,923		5,923
		19,811,499	19,811,499
$ 451,201	$ 1,854,860	$ 19,784,259	$ 21,639,119
$ 85,000	$ 94,634	$	$ 94,634
		68,516	68,516
		12,109,775	12,109,775
	27,240	(27,240)	
		110,000	110,000
		11,811,977	11,811,977
$ 85,000	$ 121,874	$ 24,073,028	$ 24,194,902
$ -0-	$ 561,299	$ -0-	$ 561,299
$	$ 5,923	$ (5,923)	$
366,201	366,201	(366,201)	
	686,114	(686,114)	
	113,449	(113,449)	
$ 366,201	$ 1,171,687	$ (1,171,687)	$ -0-
$ 451,201	$ 1,854,860		
		$ (3,552,052)	$ (3,552,052)
		617,598	617,598
		(182,628)	(182,628)
		$ (3,117,082)	$ (3,117,082)

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

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
NOVEMBER 30, 2025

Total Fund Balances - Governmental Funds		$ 1,171,687
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		19,811,499
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developer	$ (12,109,775)	
Accrued Interest Payable	(68,516)	
Bonds Payable	(11,921,977)	(24,100,268)
Total Net Position - Governmental Activities		$ (3,117,082)

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

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED NOVEMBER 30, 2025

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 262,626	$
Tax Rebate		57,831
Investment and Miscellaneous Revenues	5,675	21,285
TOTAL REVENUES	$ 268,301	$ 79,116
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 114,865	$
Contracted Services	17,350	10,598
Depreciation		
Other	17,963	5,242
Developer Interest		
Capital Outlay		
Debt Service:		
Bond Interest		177,643
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	$ 150,178	$ 193,483
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 118,123	$ (114,367)
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Long-Term Debt	$	$ 800,481
Bond Discount		
Bond Premium		
Developer Advances	40,000	
TOTAL OTHER FINANCING SOURCES (USES)	$ 40,000	$ 800,481
NET CHANGE IN FUND BALANCES	158,123	686,114
CHANGE IN NET POSITION		
FUND BALANCES (DEFICIT)/ NET POSITION - DECEMBER 1, 2024	(38,751)	
FUND BALANCES NET POSITION - NOVEMBER 30, 2025	$ 119,372	$ 686,114

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 262,626	$ (166)	$ 262,460
	57,831		57,831
147	27,107		27,107
$ 147	$ 347,564	$ (166)	$ 347,398
$ 65,000	$ 179,865	$	$ 179,865
	27,948		27,948
		394,054	394,054
10,114	33,319		33,319
644,734	644,734		644,734
8,694,262	8,694,262	(8,694,262)	
	177,643	71,030	248,673
1,338,817	1,338,817		1,338,817
$ 10,752,927	$ 11,096,588	$ (8,229,178)	$ 2,867,410
$ (10,752,780)	$ (10,749,024)	$ 8,229,012	$ (2,520,012)
$ 11,094,519	$ 11,895,000	$ (11,895,000)	$
(196,324)	(196,324)	196,324	
220,786	220,786	(220,786)	
	40,000	(40,000)	
$ 11,118,981	$ 11,959,462	$ (11,959,462)	$ -0-
366,201	1,210,438	(1,210,438)	
		(2,520,012)	(2,520,012)
	(38,751)	(558,319)	(597,070)
$ 366,201	$ 1,171,687	$ (4,288,769)	$ (3,117,082)

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

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED NOVEMBER 30, 2025

Net Change in Fund Balances - Governmental Funds	$ 1,210,438
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(166)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(394,054)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	8,694,262
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(71,030)
Governmental funds report bond proceeds, bond discounts and bond premiums as other financing sources and uses. Issued bonds, net of unamortized bond discounts and unamortized bond premiums, are reported as long-term liabilities in the Statement of Net Position.	(11,919,462)
Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances are recorded as a liability.	(40,000)
Change in Net Position - Governmental Activities	$ (2,520,012)

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

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2025

NOTE 1. CREATION OF DISTRICT

Riceland Municipal Utility District No. 1 (the "District") is a municipal utility district created by Order of the Texas Commission on Environmental Quality (the "Commission") on August 11, 2022, under the provisions of Article XVI, Section 59, of the Texas Constitution. The District operates under provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts. The District is subject to the continuing supervision of the Commission. The District is located wholly within the corporate limits of the City of Mont Belvieu and Barbers Hill Independent School District.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water, the collection, transportation, and treatment of wastewater and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to provide street lighting and to establish, operate, and maintain parks and recreational y or with one or more conservation and reclamation districts. Additionally, the District may, subject to certain limitations, develop and finance roads.

Riceland Management District (the "Management District") overlaps the District as well as Riceland Municipal Utility District Nos. 2 and 3 ("MUDs"). The Management District will provide collector roads and recreation facilities for the three MUDs.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification"). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements and Governmental Funds

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance. The District has three governmental funds and considers each to be a major fund.

The General Fund accounts for resources not required to be accounted for in another fund, maintenance tax revenues, developer advances, professional fees, and administrative costs. The Debt Service Fund accounts for ad valorem taxes restricted, committed or assigned for servicing bond debt and the costs of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures. The 2025 tax levy has been fully deferred for fund and government-wide financial statement preparation purposes.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. The Debt Service Fund (Tax Fund) owed the General Fund $27,240 for maintenance tax collections.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Budgeting

An General Fund budget is adopted annually by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors to be wages subject to federal income tax withholding for federal payroll tax purposes only.

Measurement Focus

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Operating statements of governmental fund types report increases and decreases in available spendable resources.

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2024	Series 2025
Amount Outstanding – November 30, 2025	$ 5,670,000	$ 6,225,000
Interest Rates	4.250% - 4.625%	4.00% – 6.50%
Maturity Dates - Serially Beginning/Ending	September 1, 2026/2050	September 1, 2027/2051
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2031*	September 1, 2032

* Or any date thereafter, in whole or in part, at the option of the District, at a price equal to par plus unpaid accrued interest to the date fixed for redemption. Series 2024 term bonds maturing September 1, 2034, 2039, 2043, 2047, and 2050 are subject to mandatory redemption beginning September 1, 2026, 2035, 2040, 2044, and 2048, respectively.

Changes in bonds payable during the current fiscal year are summarized in the following table:

	December 1, 2024	Additions	Retirements	November 30, 2025
Bonds Payable	$	$ 11,895,000	$	$ 11,895,000
Unamortized Discounts		(196,324)	(2,771)	(193,553)
Unamortized Premiums		220,786	256	220,530
Bonds Payable, Net	$ -0-	$ 11,919,462	$ (2,515)	$ 11,921,977

Amount Due Within One Year	$ 110,000
Amount Due After One Year	11,811,977
Bonds Payable, Net	$ 11,921,977

NOTE 3. LONG-TERM DEBT (Continued)

Future debt service payments on bonds payable outstanding at year end are summarized in the following table:

Fiscal Year	Principal	Interest	Total
2026	$ 110,000	$ 483,238	$ 593,238
2027	260,000	542,031	802,031
2028	275,000	527,719	802,719
2029	290,000	512,656	802,656
2030	300,000	496,731	796,731
2031-2035	1,735,000	2,221,618	3,956,618
2036-2040	2,200,000	1,777,231	3,977,231
2041-2045	2,785,000	1,256,377	4,041,377
2046-2050	3,540,000	576,905	4,116,905
2051	400,000	17,500	417,500
	$ 11,895,000	$ 8,412,006	$ 20,307,006

The District has the following authorized but unissued bonds: $166,575,000 for the purposes of acquiring or constructing water, sewer and drainage facilities, $433,745,000 for the purposes of refunding previously issued bonds, $130,275,000 for road facilities, and $125,000,000 for recreational facilities.

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

During the year ended November 30, 2025, the District levied an ad valorem debt service tax rate of $0.245 per $100 of assessed valuation which resulted in a tax levy of $171,898 on the adjusted taxable valuation of $70,162,353 for the 2025 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

The District is required to annually provide continuing disclosure of certain general financial information and operating data to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $1,272,470 and the bank balance was $1,283,064. The District was not exposed to custodial credit risk at year-end.

The carrying value of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at November 30, 2025, as listed below:

	Cash
GENERAL FUND	$ 104,191
DEBT SERVICE FUND	717,078
CAPITAL PROJECTS FUND	451,201
TOTAL DEPOSITS	$ 1,272,470

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

As of November 30, 2025, the District had no investments.

NOTE 6. CAPITAL ASSETS

Changes in capital assets during the current fiscal year are summarized in the following table:

	December 1, 2024	Increases	Decreases	November 30, 2025
Capital Assets Subject to Depreciation				
Water System	$ 2,097,681	$ 2,424,690	$	$ 4,522,371
Wastewater System	2,329,859	2,615,214		4,945,073
Drainage System	5,954,740	5,079,854		11,034,594
Total Capital Assets Subject to Depreciation	$ 10,382,280	$ 10,119,758	$ - 0 -	$ 20,502,038
Less Accumulated Depreciation				
Water System	$ 60,945	$ 82,028	$	$ 142,973
Wastewater System	67,404	90,068		157,472
Drainage System	168,136	221,958		390,094
Total Accumulated Depreciation	$ 296,485	$ 394,054	$ - 0 -	$ 690,539
Total Capital Assets, Net of Accumulated Depreciation	$ 10,085,795	$ 9,725,704	$ - 0 -	$ 19,811,499

NOTE 7. MAINTENANCE TAX

On November 8, 2022, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed $1.50 per $100 of assessed valuation of taxable property within the District. During the year ended November 30, 2025, the District levied an ad valorem maintenance tax rate of $0.555 per $100 of assessed valuation, which resulted in a tax levy of $389,401 on the adjusted taxable valuation of $70,162,353 for the 2025 tax year. Maintenance tax revenues may be used by the General Fund to pay operating and administrative costs as well as any other lawfully authorized expenditures of the District.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters from which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9. DUE TO DEVELOPER

The District has entered into certain financing and reimbursement agreements with a developer within the District which requires the developer to make payments on behalf of the District for construction projects and operating advances. The District has an obligation to reimburse the developer for these costs from future bond issues to the extent approved by the Commission.

The following table summarizes the current year activity related to unreimbursed developer costs.

Due to Developer, beginning of year	$ 10,644,280
Current year additions	10,159,757
Current year reductions	(8,694,262)
Due to Developer, end of year	$ 12,109,775

NOTE 10. UTILITY AGREEMENT WITH THE CITY OF MONT BELVIEU

The District and the City of Mont Belvieu, Texas (the "City") have entered into a Water Supply and Wastewater Services Agreement ("Agreement") dated March 27, 2024. The Agreement was amended on November 25, 2024, to modify the terms by which the annual payment may be adjusted.

Pursuant to the Agreement, the City will supply to the District all of its requirements of potable water from the City's existing water supply facilities and sewage treatment services from the City's existing wastewater treatment facilities. The parties anticipate that the City will, as development occurs within the District and other areas, make the necessary modifications and enlargements to the City's water supply and wastewater treatment facilities in order that it will have sufficient capacity to supply such development. As the acquisition and construction of infrastructure necessary to provide services to residents of the District are completed and operational, the District will convey the same to the City and the City will be responsible for operating and maintaining such facilities at its sole expense. The City will fix such rates and charges for customers as the City, in its sole discretion, determines is necessary; provided that the rates and charges for services afforded by the System will be equal and uniform to those charged other similar users within the City. The City may also impose an impact fee for connection to its system.

In consideration of the District's construction of infrastructure to serve land within the District and the conveyance of such infrastructure to the City and in order to expedite the retirement of District bonds and other financial obligations and to comply with the rules of the Commission, the City will make payments annually to the District. The Annual Payment will be a payment of a portion of the City's ad valorem tax revenues actually collected and received by the City from taxpayers within the District and deposited with the City, exclusive of any interest and penalties paid by the taxpayer to the City and exclusive of any collection costs incurred by the City. All Annual Payments received by the District from the City are to be deposited by the District into its Debt Service Fund, to be used along with any interest thereon, solely for the repayment of District bonds. The Annual Payment is payable each February 1, beginning February 2025, and is equal to $0.18 per $100 of taxable assessed valuation based on the District's certified taxable assessed valuation for the prior year. The City's obligation to make the annual payments to the District will terminate only after all of the District's bonds and other financial obligations have been paid in full or otherwise defeased, including obligations to the Developer and to the District's bondholders. The District received a tax rebate totaling $57,831 during the current fiscal year.

The Agreement is in force and effect from the date of execution for a term of 40 years unless otherwise previously terminated pursuant to some term or condition of the Agreement or dissolution of the District.

NOTE 11. BOND SALES

On December 19, 2024, the District issued $5,670,000 of Unlimited Tax Bonds, Series 2024. The proceeds were used to reimburse the developer for constructions costs related to utilities serving Riceland, Sections 1 and 2, and Phase 1 Detention Pond A. Proceeds were also used to pay developer interest, capitalized interest and other non-construction costs.

On November 19, 2025, the District issued $6,225,000 of Unlimited Tax Bonds, Series 2025. The proceeds were used to reimburse the developer for constructions costs related to utilities serving Riceland, Sections 1, 3, 4, 5 and 6. Proceeds were also used to pay developer interest, capitalized interest and other non-construction costs.

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

NOVEMBER 30, 2025

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED NOVEMBER 30, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 250,000	$ 262,626	$ 12,626
Investment and Miscellaneous Revenues		5,675	5,675
TOTAL REVENUES	$ 250,000	$ 268,301	$ 18,301
EXPENDITURES			
Service Operations:			
Professional Fees	$ 107,000	$ 114,865	$ (7,865)
Contracted Services	10,000	17,350	(7,350)
Other	24,410	17,963	6,447
TOTAL EXPENDITURES	$ 141,410	$ 150,178	$ (8,768)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 108,590	$ 118,123	$ 9,533
OTHER FINANCING SOURCES (USES)			
Developer Advances	$ -0-	$ 40,000	$ 40,000
NET CHANGE IN FUND BALANCE	$ 108,590	$ 158,123	$ 49,533
FUND BALANCE (DEFICIT) - DECEMBER 1, 2024	(38,751)	(38,751)	
FUND BALANCE - NOVEMBER 30, 2025	$ 69,839	$ 119,372	$ 49,533

See accompanying independent auditor's report.

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1

SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

NOVEMBER 30, 2025

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED NOVEMBER 30, 2025

1. SERVICES PROVIDED BY THE DISTRICT DURING THE YEAR:

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

Note: Utility services to customers residing in the District are provided by the City of Mont Belvieu, Texas. See Note 10 for more information.

2. RETAIL SERVICE PROVIDERS: (NOT APPLICABLE)

3. TOTAL WATER CONSUMPTION: (NOT APPLICABLE)

4. STANDBY FEES: (NOT APPLICABLE)

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes __X__ No _____

County in which District is located - Chambers County, Texas

Is the District located within a city?

Entirely __X__ Partly _____ Not at all _____

City in which District is located – City of Mont Belvieu, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No __X__

See accompanying independent auditor's report.

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED NOVEMBER 30, 2025

PROFESSIONAL FEES:		
Auditing	$	12,000
Engineering		32,153
Legal		70,712
TOTAL PROFESSIONAL FEES	$	114,865
CONTRACTED SERVICES:		
Bookkeeping	$	15,850
Tax Assessment and Collection Costs		1,500
TOTAL CONTRACTED SERVICES	$	17,350
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes	$	7,545
Insurance		4,306
Office Supplies and Postage		1,402
Website		3,395
Meetings and Other		1,315
TOTAL ADMINISTRATIVE EXPENDITURES	$	17,963
TOTAL EXPENDITURES	$	150,178

See accompanying independent auditor's report.

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED NOVEMBER 30, 2025

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - DECEMBER 1, 2024	$ 255,937		$ -0-	
Adjustments to Beginning Balance	(974)	$ 254,963		$ -0-
Original 2025 Tax Levy	$ 391,040		$ 172,621	
Adjustment to 2025 Tax Levy	(1,639)	389,401	(723)	171,898
TOTAL TO BE ACCOUNTED FOR		$ 644,364		$ 171,898
TAX COLLECTIONS:				
Prior Years	$ 254,963		$	
Current Year	8,375	263,338	3,697	3,697
TAXES RECEIVABLE - NOVEMBER 30, 2025		$ 381,026		$ 168,201
TAXES RECEIVABLE BY YEAR:				
2025		$ 381,026		$ 168,201

See accompanying independent auditor's report.

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED NOVEMBER 30, 2025

	2025	2024	2023
PROPERTY VALUATIONS:			
Land	$ 34,838,610	$ 33,715,340	$ 2,457,920
Improvements	38,479,250		78,260
Personal Property	1,123,553	443,055	414,460
Exemptions	(4,279,060)	(1,229,070)	
TOTAL PROPERTY VALUATIONS	$ 70,162,353	$ 32,929,325	$ 2,950,640
TAX RATES PER $100 VALUATION:			
Debt Service	$ 0.245	$ 0.00	$ 0.00
Maintenance	0.555	0.80	0.80
TOTAL TAX RATES PER $100 VALUATION	$ 0.800	$ 0.80	$ 0.80
ADJUSTED TAX LEVY*	$ 561,299	$ 263,435	$ 23,605
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	2.15 %	100.00 %	100.00 %

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

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

See accompanying independent auditor's report.

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
NOVEMBER 30, 2025

	SERIES-2024		
Due During Fiscal Years Ending November 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	$ 110,000	$ 253,775	$ 363,775
2027	115,000	249,100	364,100
2028	125,000	244,213	369,213
2029	130,000	238,900	368,900
2030	140,000	233,375	373,375
2031	145,000	227,425	372,425
2032	155,000	221,263	376,263
2033	160,000	214,675	374,675
2034	170,000	207,875	377,875
2035	180,000	200,650	380,650
2036	190,000	192,775	382,775
2037	200,000	184,463	384,463
2038	210,000	175,713	385,713
2039	220,000	166,525	386,525
2040	235,000	156,900	391,900
2041	250,000	146,325	396,325
2042	260,000	135,075	395,075
2043	275,000	123,375	398,375
2044	290,000	111,000	401,000
2045	305,000	97,588	402,588
2046	325,000	83,481	408,481
2047	340,000	68,450	408,450
2048	360,000	52,725	412,725
2049	380,000	36,075	416,075
2050	400,000	18,498	418,498
2051			
	$ 5,670,000	$ 4,040,219	$ 9,710,219

See accompanying independent auditor's report.

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
NOVEMBER 30, 2025

	SERIES-2025		
Due During Fiscal Years Ending November 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	$	$ 229,463	$ 229,463
2027	145,000	292,931	437,931
2028	150,000	283,506	433,506
2029	160,000	273,756	433,756
2030	160,000	263,356	423,356
2031	170,000	252,956	422,956
2032	175,000	241,906	416,906
2033	185,000	230,531	415,531
2034	195,000	218,506	413,506
2035	200,000	205,831	405,831
2036	210,000	197,831	407,831
2037	220,000	189,431	409,431
2038	230,000	180,631	410,631
2039	240,000	171,431	411,431
2040	245,000	161,531	406,531
2041	255,000	151,425	406,425
2042	270,000	140,588	410,588
2043	280,000	129,113	409,113
2044	295,000	117,213	412,213
2045	305,000	104,675	409,675
2046	315,000	91,713	406,713
2047	335,000	78,325	413,325
2048	345,000	64,088	409,088
2049	360,000	49,425	409,425
2050	380,000	34,125	414,125
2051	400,000	17,500	417,500
	$ 6,225,000	$ 4,371,787	$ 10,596,787

See accompanying independent auditor's report.

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
NOVEMBER 30, 2025

Due During Fiscal Years Ending November 30	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	$ 110,000	$ 483,238	$ 593,238
2027	260,000	542,031	802,031
2028	275,000	527,719	802,719
2029	290,000	512,656	802,656
2030	300,000	496,731	796,731
2031	315,000	480,381	795,381
2032	330,000	463,169	793,169
2033	345,000	445,206	790,206
2034	365,000	426,381	791,381
2035	380,000	406,481	786,481
2036	400,000	390,606	790,606
2037	420,000	373,894	793,894
2038	440,000	356,344	796,344
2039	460,000	337,956	797,956
2040	480,000	318,431	798,431
2041	505,000	297,750	802,750
2042	530,000	275,663	805,663
2043	555,000	252,488	807,488
2044	585,000	228,213	813,213
2045	610,000	202,263	812,263
2046	640,000	175,194	815,194
2047	675,000	146,775	821,775
2048	705,000	116,813	821,813
2049	740,000	85,500	825,500
2050	780,000	52,623	832,623
2051	400,000	17,500	417,500
	$ 11,895,000	$ 8,412,006	$ 20,307,006

See accompanying independent auditor's report.

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
CHANGES IN LONG-TERM DEBT
FOR THE YEAR ENDED NOVEMBER 30, 2025

Description	Original Bonds Issued	Bonds Outstanding December 1, 2024
Riceland Municipal Utility District No. 1 Unlimited Tax Bonds - Series 2024	$ 5,670,000	$
Riceland Municipal Utility District No. 1 Unlimited Tax Bonds - Series 2025	6,225,000	
TOTAL	$ 11,895,000	$ - 0 -

Bond Authority:	Tax Bonds (Utilities)	Recreational Bonds	Road Bonds
Amount Authorized by Voters	$ 178,470,000	$ 125,000,000	$ 130,275,000
Amount Issued	(11,895,000)		
Remaining to be Issued	$ 166,575,000	$ 125,000,000	$ 130,275,000

Debt Service Fund cash balances as of November 30, 2025:	$ 717,078
Average annual debt service payment for remaining term of all bond debt:	$ 781,039

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

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements			
Bonds Sold	Principal	Interest	Bonds Outstanding November 30, 2025	Paying Agent
$ 5,670,000	$	$ 177,643	$ 5,670,000	The Bank of New York Mellon Trust Company N.A. Houston, TX
6,225,000			6,225,000	The Bank of New York Mellon Trust Company N.A. Houston, TX
$ 11,895,000	$ - 0 -	$ 177,643	$ 11,895,000	

Refunding Bonds
$ 433,745,000
$ 433,745,000

See accompanying independent auditor's report.

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - THREE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	$ 262,626	$ 23,285	$
Investment and Miscellaneous Revenues	5,675		
TOTAL REVENUES	$ 268,301	$ 23,285	$ - 0 -
EXPENDITURES			
Professional Fees	$ 114,865	$ 168,736	$ 82,158
Contracted Services	17,350	22,146	7,050
Other	17,963	29,323	14,623
TOTAL EXPENDITURES	$ 150,178	$ 220,205	$ 103,831
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 118,123	$ (196,920)	$ (103,831)
OTHER FINANCING SOURCES (USES)			
Developer Advances	$ 40,000	$ 189,000	$ 73,000
NET CHANGE IN FUND BALANCE	$ 158,123	$ (7,920)	$ (30,831)
BEGINNING FUND BALANCE (DEFICIT)	(38,751)	(30,831)	
ENDING FUND BALANCE (DEFICIT)	$ 119,372	$ (38,751)	$ (30,831)

See accompanying independent auditor's report.

Percentage of Total Revenues		
2025	2024	2023
97.9 %	100.0 %	%
2.1		
100.0 %	100.0 %	NA %
42.8 %	724.7 %	%
6.5	95.1	
6.7	125.9	
56.0 %	945.7 %	NA %
44.0 %	(845.7) %	NA %

See accompanying independent auditor's report.

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - THREE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Tax Rebate	$ 57,831	$	$
Investment and Miscellaneous Revenues	21,285		
TOTAL REVENUES	$ 79,116	$ - 0 -	$ - 0 -
EXPENDITURES			
Tax Collection Expenditures	$ 15,092	$	$
Debt Service Interest and Fees	178,391		
TOTAL EXPENDITURES	$ 193,483	$ - 0 -	$ - 0 -
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (114,367)	$ - 0 -	$ - 0 -
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-term Debt	$ 800,481	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 686,114	$ - 0 -	$ - 0 -
BEGINNING FUND BALANCE			
ENDING FUND BALANCE	$ 686,114	$ - 0 -	$ - 0 -

See accompanying independent auditor's report.

Percentage of Total Revenues		
2025	2024	2023
73.1 %	%	%
26.9		
100.0 %	NA %	NA %
19.1 %	%	%
225.5		
244.6 %	NA %	NA %
(144.6) %	NA %	NA %

See accompanying independent auditor's report.

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
NOVEMBER 30, 2025

District Mailing Address - Riceland Municipal Utility District No. 1
c/o Smith, Murdaugh, Little & Bonham, L.L.P.
2727 Allan Parkway, Suite 1100
Houston, TX 77019

District Telephone Number - (713) 652-6500

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended November 30, 2025	Expense Reimbursements for the year ended November 30, 2025	Title
Will Richardson	05/24 - 05/28 (Elected)	$ 1,105	$ 124	President
Debra Fulleylove	05/24 - 05/28 (Elected)	$ 1,768	$ 292	Vice President
Warren Hitchcock	05/24 - 05/28 (Elected)	$ 884	$ 122	Secretary
Jerrod King	08/22 - 05/26 (Elected)	$ 1,547	$ 428	Secretary
JT Lane	08/22 - 05/26 (Elected)	$ 1,768	$ 350	Assistant Secretary

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

The most recent submission date of the District Registration Form was on January 27, 2026.

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution on November 15, 2022. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

RICELAND MUNICIPAL UTILITY DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
NOVEMBER 30, 2025

Consultants:	Date Hired	Fees for the year ended November 30, 2025	Title
Smith, Murdaugh, Little & Bonham, L.L.P.	08/19/22	$ 70,712 $ 469,710	General Counsel Bond Related
McCall Gibson Swedlund Barfoot Ellis PLLC	01/09/24	$ 12,000 $ 36,500	Auditor Bond Related
Myrtle Cruz, Inc.	08/19/22	$ 18,692 $ 11,000	Bookkeeper Bond Related
Jones Engineering Solutions, LLC	08/19/22	$ 168,321	Engineer
Masterson Advisors LLC	08/19/22	$ 229,929	Financial Advisor
Utility Tax Services, LLC	02/14/23	$ 15,818	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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Notices (Unless Otherwise Specified by BAM)

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

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