OFFICIAL STATEMENT DATED OCTOBER 21, 2026

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

THE BONDS HAVE **NOT** BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE– Book-Entry-Only

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

COLTON MUNICIPAL UTILITY DISTRICT NO. 1

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

$6,700,000
CONTRACT REVENUE BONDS
SERIES 2026

$7,195,000
CONTRACT REVENUE ROAD BONDS
SERIES 2026

The bonds described above (collectively, the "Bonds") are special obligations solely of Colton Municipal Utility District No. 1 (the "Master District," the "District" or "MUD 1") payable solely from and to the extent of payments required to be made by any municipal utility district within the Service Area (as defined herein) that has an active Master District Contract as defined herein (a "Participant") from proceeds of an unlimited annual ad valorem tax without legal limit as to rate or amount levied by such Participant or from other revenues available to such Participant (the "Water/Sewer/Drainage Contract Payments" and the "Road Contract Payments" and together, the "Contract Payments" as further described herein). Payment of Contract Payments by the Participant and use of such proceeds by the Master District to pay debt service on the Bonds is governed by the Contract for Financing, Operation, and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer, Park, Road and Other Facilities, as amended, between the Participant and the Master District (the "Master District Contract") as described more fully herein under "MASTER DISTRICT CONTRACT." The Bonds are special obligations of the Master District payable solely from the Contract Payments and are not obligations of the State of Texas, Montgomery County, the City of Todd Mission, the Participant, or any entity other than the Master District.

Dated Date: November 1, 2026 **Due: December 1, as shown on the inside cover**
Interest Accrual Date: Date of Delivery

The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple of $5,000. Principal of the Bonds will be payable 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. (the "Paying Agent/Registrar") in Houston, Texas. Interest on the Bonds accrues from the date of delivery (expected on or about November 19, 2026) (the "Date of Delivery") and is payable June 1, 2027, and each December 1 and June 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months.

The Bonds will be initially registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners 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 "BOOK-ENTRY-ONLY SYSTEM."

BAM
BUILD AMERICA MUTUAL

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate municipal bond insurance policies (each a "Policy" and collectively, the "Policies") 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.

See "MATURITY SCHEDULES" on the inside cover

The Bonds, when issued, will constitute valid and legally binding special obligations of the District. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. Bond purchasers are encouraged to read this OFFICIAL STATEMENT prior to making an investment decision, particularly the section captioned "RISK FACTORS."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about November 19, 2026, in Houston, Texas.

MATURITY SCHEDULES

$6,700,000
SERIES 2026 BONDS

Principal Amount	Maturity (December 1)	CUSIP Number (b)	Interest Rate	Initial Reoffering Yield (c)	Principal Amount	Maturity (December 1)	CUSIP Number (b)	Interest Rate	Initial Reoffering Yield (c)
$ 140,000	2028	197078 AA6	7.500 %	3.800 %	$ 265,000	2041 (a)	197078 AP3	5.125 %	5.000 %
150,000	2029	197078 AB4	7.500	3.850	280,000	2042 (a)	197078 AQ1	5.125	5.060
155,000	2030	197078 AC2	7.500	3.950	290,000	2043 (a)	197078 AR9	5.125	5.125
165,000	2031	197078 AD0	7.500	4.050	305,000	2044 (a)	197078 AS7	5.125	5.180
170,000	2032	197078 AE8	7.500	4.150	320,000	2045 (a)	197078 AT5	5.125	5.240
180,000	2033 (a)	197078 AF5	7.500	4.250	340,000	2046 (a)	197078 AU2	5.125	5.300
190,000	2034 (a)	197078 AG3	7.500	4.350	355,000	2047 (a)	197078 AV0	5.125	5.350
200,000	2035 (a)	197078 AH1	6.250	4.450	370,000	2048 (a)	197078 AW8	5.125	5.390
205,000	2036 (a)	197078 AJ7	5.000	4.550	390,000	2049 (a)	197078 AX6	5.125	5.420
220,000	2037 (a)	197078 AK4	5.000	4.650	410,000	2050 (a)	197078 AY4	5.125	5.440
230,000	2038 (a)	197078 AL2	5.000	4.750	430,000	2051 (a)	197078 AZ1	5.125	5.450
240,000	2039 (a)	197078 AM0	5.000	4.850	450,000	2052 (a)	197078 BA5	5.125	5.460
250,000	2040 (a)	197078 AN8	5.000	4.930					

$7,195,000
SERIES 2026 ROAD BONDS

Principal Amount	Maturity (December 1)	CUSIP Number (b)	Interest Rate	Initial Reoffering Yield (c)	Principal Amount	Maturity (December 1)	CUSIP Number (b)	Interest Rate	Initial Reoffering Yield (c)
$ 130,000	2028	197078 BB3	7.500 %	3.800 %	$ 280,000	2041 (a)	197078 BQ0	5.125 %	5.000 %
140,000	2029	197078 BC1	7.500	3.850	295,000	2042 (a)	197078 BR8	5.125	5.060
150,000	2030	197078 BD9	7.500	3.950	315,000	2043 (a)	197078 BS6	5.125	5.125
155,000	2031	197078 BE7	7.500	4.050	335,000	2044 (a)	197078 BT4	5.125	5.180
165,000	2032	197078 BF4	7.500	4.150	355,000	2045 (a)	197078 BU1	5.125	5.240
175,000	2033 (a)	197078 BG2	7.500	4.250	375,000	2046 (a)	197078 BV9	5.125	5.300
185,000	2034 (a)	197078 BH0	7.500	4.350	395,000	2047 (a)	197078 BW7	5.125	5.350
195,000	2035 (a)	197078 BJ6	7.500	4.450	420,000	2048 (a)	197078 BX5	5.125	5.390
210,000	2036 (a)	197078 BK3	5.000	4.550	445,000	2049 (a)	197078 BY3	5.125	5.420
220,000	2037 (a)	197078 BL1	5.000	4.650	475,000	2050 (a)	197078 BZ0	5.125	5.440
235,000	2038 (a)	197078 BM9	5.000	4.750	500,000	2051 (a)	197078 CA4	5.250	5.450
250,000	2039 (a)	197078 BN7	5.000	4.850	530,000	2052 (a)	197078 CB2	5.250	5.460
265,000	2040 (a)	197078 BP2	5.000	4.930					

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

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

(c) Initial Reoffering Yield represents the initial offering yield to the public, which will be established by the Underwriter for offers to the public and which subsequently may be changed.

TABLE OF CONTENTS

MATURITY SCHEDULES **2**
USE OF INFORMATION IN OFFICIAL STATEMENT **4**
SALE AND DISTRIBUTION OF THE BONDS **5**
OFFICIAL STATEMENT SUMMARY **6**
SELECTED FINANCIAL INFORMATION (UNAUDITED) **11**
MASTER DISTRICT CONTRACT **13**
RISK FACTORS **14**
General 14
Economic Factors and Interest Rates 15
Credit Markets and Liquidity in the Financial Markets 15
Competition 15
Undeveloped Acreage and Vacant Lots 15
Operational Expenses 15
Developer Obligation to the District 16
Increase in Costs of Building Materials 16
Possible Impact on Contract Tax Rate 16
Debt Burden on Property within the Participant 16
Contract Tax Procedures 17
Specific Flood Type Risks 17
Potential Effects of Oil Price Fluctuations on the Houston Area 17
Extreme Weather Events 17
Registered Owners' Remedies and Bankruptcy Limitation to Registered Owner's Rights 18
Future Debt 19
Marketability of the Bonds 19
Environmental Regulations 19
Cybersecurity 21
Changes in Tax Legislation 21
Tax Collections Limitations and Foreclosure Remedies 21
Continuing Compliance with Certain Covenants 21
Risk Factors Related to the Purchase of Municipal Bond Insurance 22
THE BONDS **22**
Description 22
Method of Payment of Principal and Interest 22
Source and Security of Payment 22
Unconditional Obligation to Pay 23
Funds 23
Redemption Provisions 23
Authority for Issuance 24
No Arbitrage 24
Registration and Transfer 24
Lost, Stolen or Destroyed Bonds 25
Replacement of Paying Agent/Registrar 25
Issuance of Additional Debt 25
Financing Parks and Recreational Facilities 26
Annexation and Strategic Partnership Agreement 26
Consolidation 26
Remedies in Event of Default 27
Legal Investment and Eligibility to Secure Public Funds in Texas 27
Defeasance 27
BOOK-ENTRY-ONLY SYSTEM **28**
USE AND DISTRIBUTION OF BOND PROCEEDS **30**
THE PARTICIPANT **31**
Creation, Authority and Description 31
Authorized Bonds 31
Operations 31
Contract Tax 32
Direct Debt Service Tax 32
Maintenance and Operations Taxes 32
Annexation by the City of Todd Mission 32
Strategic Partnership Agreement 32
Consolidation 33
Management 33
Financial Data 33
Future Participants 33
COLTON **33**
THE DISTRICT AND SERVICE AREA **33**
General 33
Description and Location 34
Land Use 34
Status of Development 34
Homebuilding 35
Future Development 35
THE DEVELOPER **35**
Role of a Developer 35
Description of the Developer and Principal Landowner 35
Acquisition and Development Financing 35
Obligations of the Developer 36
MANAGEMENT OF THE DISTRICT **36**
Board of Directors 36
District Consultants 36
THE ROAD SYSTEM **37**
THE SYSTEM **37**
Regulation 37
Master District Facilities 37
Internal Water Distribution, Wastewater Collection, Storm Drainage Facilities and Road Facilities 38
Flood Protection and Drainage 38
Water and Wastewater Operations 39
FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANT (UNAUDITED) **40**
Investments of the District 41
Participant's Appraised Valuation as a Percentage of the Service Area 41
Debt Service Requirements 42
Estimated Overlapping Debt 43
Estimated Overlapping Taxes 44
TAX DATA **45**
Contract Tax 45
Appraised Valuation Information 45
Historical Contract Payment Collections 45
Principal Taxpayers 45
Tax Adequacy for Debt Service 46
TAXING PROCEDURES **46**
Authority to Levy Taxes 46
Property Tax Code and County-Wide Appraisal District 46
Property Subject to Taxation by the Participants 46
Tax Abatement 47
Valuation of Property for Taxation 47
Participant and Taxpayer Remedies 48
Levy and Collection of Taxes 48
Tax Payment Installments 49
Additional Penalties 49
Rollback of Operation and Maintenance Tax Rate 49
Participant's Rights in the Event of Tax Delinquencies 50
MUNICIPAL BOND RATING **50**
MUNICIPAL BOND INSURANCE **50**
Bond Insurance Policy 50
Build America Mutual Assurance Company 51
LEGAL MATTERS **52**
Legal Proceedings 52
No Material Adverse Change 52
No-Litigation Certificate 52
TAX MATTERS **52**
Tax Exemption 52
Not Qualified Tax-Exempt Obligations 53
Additional Federal Income Tax Considerations 53
PREPARATION OF OFFICIAL STATEMENT **55**
Sources and Compilation of Information 55
Financial Advisor 55
Consultants 55
Updating the Official Statement 55
Certification of Official Statement 56
CONTINUING DISCLOSURE OF INFORMATION **56**
Annual Reports 56
Event Notices 56
Availability of Information from MSRB 57
Limitations and Amendments 57
Compliance with Prior Undertakings 57
MISCELLANEOUS **57**
AERIAL LOCATION MAP
PHOTOGRAPHS OF THE DISTRICT
APPENDIX A – Certain Financial Information Regarding the Participant
APPENDIX B – Independent Auditor's Report and Financial Statements of the District and the Participant
APPENDIX C – Specimen Municipal Bond Insurance Policies

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, resolutions, contracts, audited financial statements, engineering and other related reports referenced or described 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 the District, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

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 until the delivery of the Bonds to the Underwriter and thereafter only as described 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 C—Specimen Municipal Bond Insurance Policies."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Series 2026 Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by Robert W. Baird & Co., Inc. (the "Series 2026 Bond Underwriter") bearing the interest rates shown on the inside cover page hereof, at a price of 97.00% of the par value thereof, which resulted in a net effective interest rate of 5.438948%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA Method).

After requesting competitive bids for the Series 2026 Road Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by Robert W. Baird & Co., Inc. (the "Series 2026 Road Bond Underwriter") bearing the interest rates shown on the inside cover page hereof, at a price of 97.00% of the par value thereof, which resulted in a net effective interest rate of 5.461014%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA Method).

The Series 2026 Bond Underwriter and the Series 2026 Road Bond Underwriter shall be referred to herein collectively as the "Underwriter."

Prices and Marketability

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

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

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire OFFICIAL STATEMENT and of the documents summarized or described therein.

THE MASTER DISTRICT

Description..... Colton Municipal Utility District No.1 (the "Master District," the "District" or "MUD 1") is a municipal utility district created as Magnolia Woods Municipal Utility District No. 1 by Senate Bill 2504, Act of the 86th Legislature, Regular Session, 2019, codified as Chapter 8257, Texas Special District Local Laws Code, and by the duly adopted Order Dividing District of Magnolia Woods Municipal Utility District No. 1 dated February 2, 2023. On October 11, 2024 the Texas Commission on Environmental Quality (the "TCEQ") issued an order approving a change in the name of the District from Magnolia Woods Municipal Utility District No.1 to Colton Municipal Utility District No.1. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 8257 of the Texas Special District Local Laws Code. The Master District also serves as a provider of regional water, wastewater, storm drainage, park/recreational and road facilities to the approximate 5,725 acre service area (the "Service Area") which includes the following municipal utility districts: the District, Colton Municipal Utility District No. 2 ("MUD 2" or the "Participant") and Magnolia Woods Municipal Utility District No. 3 ("MUD 3"). Currently, only MUD 2 has an active Contract for the Financing, Operation, and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer, Park, Road and Other Facilities, as amended (the "Master District Contract") and is referred to herein as the "Participant." See "MASTER DISTRICT CONTRACT," "THE PARTICIPANT," and "THE DISTRICT AND SERVICE AREA."

Location ..... The Service Area is located in Montgomery County, Texas, Grimes County, Texas, and Waller County, Texas, approximately 45 miles northwest of the downtown business district of the City of Houston. The Service Area lies partially within the extraterritorial jurisdiction of the City of Todd Mission and within the boundaries of the Magnolia Independent School District. Access to the Service Area is provided by State Highway 249, and the main entrance to the District is on Farm-to-Market 1486. See "THE DISTRICT AND SERVICE AREA" and "AERIAL LOCATION MAP."

Colton ..... The Service Area is being developed and marketed as Colton, a master-planned community currently planned to encompass approximately 5,725 acres at full development. Colton includes three municipal utility districts currently created: the Master District, MUD 2 and MUD 3. All development in Colton is currently taking place in MUD 2. See "COLTON," "THE DISTRICT AND SERVICE AREA" and "THE DEVELOPER."

The Developer and Principal Landowner..... The developer within the Service Area is Colton Development Company LLC, a Texas limited liability company ("CDC" or the "Developer"). A portion of the undeveloped land within the Colton project boundaries is owned by BAM Houston Real Estate Investment, L.P., a Texas limited partnership ("BAM Houston Real Estate Investment"), which acts solely as a land holding company. BAM Houston Real Estate Investment sells land to the Developer as needed for development. As of July 31, 2026, Developer had purchased approximately 808 acres within the boundaries of the Service Area, including approximately 523 acres of land within the boundaries of the Participant. BAM Houston Real Estate Investment owns approximately 115 acres of land within the boundaries of the Participant. AIRIA Development Company, a Texas corporation ("AIRIA") manages the development of Colton for the Developer and BAM Houston Real Estate Investment. The controlling interests in AIRIA, CDC, and BAM Houston Real Estate Investment are primarily lineal descendants (or their trusts) of Lester Benny Binion and Phyllis Cope.

Neither the Developer nor any other landowner is obligated to pay any principal of or interest on the Bonds. See THE DISTRICT AND SERVICE AREA—Status of Development," "THE DEVELOPER" and "APPENDIX A."

Status of Development ..... The single-family residential development within the Service Area currently consists of 682 single-family residential lots on approximately 364 acres in MUD 2. As of September 29, 2026, 207 homes were completed and occupied in the Service Area, 143 homes were under construction or continue to be owned by a builder and 332 developed lots were available for home construction. The estimated population in the Service Area based upon 3.5 persons per occupied single-family residence is 725.

Construction is underway for an approximately 8-acre amenity complex in MUD 2 that will include playgrounds, a splash pad, park and picnic areas, a gym, outdoor amphitheater and event hall. According to the Developer, the complex is expected to be completed by the end of 2026.

Approximately 211 developable acres within MUD 2 have not been provided with utilities and/or paving necessary for the construction of taxable improvements, and approximately 54 acres in MUD 2 are not developable (public rights-of-way, detention, open spaces, easements, and utility sites).

There are approximately 5,088 additional undeveloped acres in the Service Area that have not yet been determined to be for future development or deemed undevelopable. See "THE DISTRICT AND SERVICE AREA—Land Use," "—Status of Development" and "RISK FACTORS—Undeveloped Acreage and Vacant Lots."

Homebuilding.....Homebuilders active within the Service Area include Beazer Homes, Coventry Homes, David Weekley Homes, Drees Custom Homes, Fedrick Harris Estate Homes, Highland Homes, J. Patrick Homes, Partners in Building, Perry Homes, Village Builders and Westin Homes. See "THE DISTRICT AND SERVICE AREA—Homebuilding." According to the Developer, homes within the Service Area range in price from approximately $300,000 to over $1,000,000.

Master District Facilities .....The Master District, in its capacity as the provider of regional water, wastewater, and storm sewer facilities ("Master District Water/Sewer/Drainage Facilities"), regional road facilities ("Master District Road Facilities"), regional park facilities ("Master District Park Facilities") and other regional facilities necessary to serve the Service Area (hereinafter collectively referred to as the "Master District Facilities"), has contracted with the Participant to construct and provide service from the Master District Facilities. See "RISK FACTORS—Possible Impact on Contract Tax Rate" and "—Debt Burden on Property within the Participant," "THE SYSTEM—Master District Facilities," and "THE ROAD SYSTEM."

The Master District owns and operates the Master District Facilities, with the exception of roads conveyed to and accepted by Montgomery County, Grimes County, or Waller County, as applicable. The Participant owns and operates the internal utilities within its boundaries. See "MASTER DISTRICT CONTRACT."

Taxation.....The tax rate for the Participant will consist of the Contract Tax, as defined herein (see "MASTER DISTRICT CONTRACT"), together with the debt service tax necessary for the payment of direct debt of the Participant, and maintenance and operation tax of the Participant. The Participant has issued $16,650,000 principal amount of unlimited tax road bonds in two series (including the $10,650,000 Unlimited Tax Road Bonds, Series 2026, which sold on October 14, 2026 and are expected to be issued on November 19, 2026), all of which is currently outstanding. The Participant levied a total tax rate of $1.50 per $100 of taxable assessed valuation for 2026, of which $0.22 is allocated to debt service and $1.28 is allocated to maintenance and operations. The Participant expects to levy its initial Contract Tax in 2027. See "RISK FACTORS—Possible Impact on Contract Tax Rate" and "—Debt Burden on Property within the Participant."

Payment History .....The Series 2026 Bonds are the Master District's first issuance bonds for the purpose of constructing and acquiring Master District Water/Sewer/Drainage Facilities ("Water/Sewer/Drainage Contract Revenue Bonds") and the Series 2026 Road Bonds are the Master District's first issuance of bonds for the purpose of constructing and acquiring Master District Road Facilities ("Contract Revenue Road Bonds"). The District will capitalize $670,000 of interest on the Series 2026 Bonds, which represents twenty-four (24) months of interest at 5.00%, and is the maximum amount of capitalized interest approved by the TCEQ, and twenty-four (24) months of interest from proceeds of the Series 2026 Road Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

THE BONDS

Description.....Colton Municipal Utility District No. 1 Contract Revenue Bonds, Series 2026 (the "Series 2026 Bonds") are being issued in the aggregate principal amount of $6,700,000 and the Contract Revenue Road Bonds, Series 2026 (the "Series 2026 Road Bonds") are being issued in the aggregate principal amount of $7,195,000. The Series 2026 Bonds and the Series 2026 Road Bonds are collectively referred to herein as the "Bonds." The Bonds are dated November 1, 2026. Interest accrues from the Date of Delivery and is payable each June 1 and December 1, beginning June 1, 2027, at the rates per annum set forth on the inside cover page hereof. Each series of Bonds are being issued as serial bonds maturing on December 1 in each of the years 2028 through 2052, both inclusive. The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple of $5,000.

Book-Entry-Only..... The Depository Trust Company (defined as "DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each series and maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY-SYSTEM."

Redemption ..... Bonds maturing on or after December 1, 2033 are subject to redemption at the option of the District prior to their maturity dates on December 1, 2032, or on any date thereafter at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

Series 2026 Bonds

Use of Proceeds ..... Proceeds of the Series 2026 Bonds will be used to pay for the construction related items shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2026 Bonds." In addition, proceeds of the Series 2026 Bonds will be used to capitalize $670,000, which represents twenty-four (24) months of interest at 5.00%, and is the maximum amount of capitalized interest approved by the TCEQ; to pay operational advances, to pay creation costs, to pay Developer interest; and to pay administrative costs and certain other costs and engineering fees related to the issuance of the Series 2026 Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2026 Bonds" and "THE SYSTEM."

Series 2026 Road Bonds

Use of Proceeds ..... Proceeds of the Series 2026 Road Bonds will be used to pay for the construction related items shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2026 Road Bonds." In addition, proceeds of the Series 2026 Road Bonds will be used to capitalize twenty-four (24) months of interest on the Series 2026 Road Bonds; to pay Developer interest; and to pay administrative costs and certain other costs and engineering fees related to the issuance of the Series 2026 Road Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2026 Road Bonds" and "THE ROAD SYSTEM."

Authority for Issuance..... The Series 2026 Bonds are the first series of Water/Sewer/Drainage Contract Revenue Bonds issued by the Master District pursuant to the Master District Contract. The Master District is authorized by the Master District Contract to issue contract revenue bonds in an amount not to exceed $1,305,450,000 principal amount for the purpose of constructing and acquiring all Master District Water/Sewer/Drainage Facilities necessary to provide service to the Service Area and for refunding such bonds. Any additional Contract Revenue Bonds issued by the Master District will be on parity with the Series 2026 Bonds. The Series 2026 Bonds are issued pursuant to the terms and conditions of 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, a resolution authorizing the issuance of the Series 2026 Bonds (the "Series 2026 Bond Resolution"), and an order of the TCEQ.

The Series 2026 Road Bonds are the first series of Contract Revenue Road Bonds issued by the Master District pursuant to the Master District Contract. The Master District is authorized by the Master District Contract to issue contract revenue bonds in an amount not to exceed $522,180,000 principal amount for the purpose of constructing and acquiring all Master District Road Facilities necessary to provide service to the Service Area and for refunding such bonds. Any additional Contract Revenue Bonds issued by the Master District will be on parity with the Series 2026 Road Bonds. The Series 2026 Road Bonds are issued pursuant to the terms and conditions of Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas, and a resolution authorizing the issuance of the Series 2026 Road Bonds (the "Series 2026 Road Bond Resolution," and together with the Series 2026 Bond Resolution, the "Bond Resolutions"). See "RISK FACTORS—Future Debt," "THE BONDS—Authority for Issuance," and "—Issuance of Additional Debt."

Source and Security of Payment ..... Principal of and interest on the Bonds are payable from and secured by unconditional obligations of each Participant to make certain Contract Payments (as herein defined) pursuant to the Master District Contract. By execution of the Master District Contract, each Participant (currently only MUD 2) has agreed to pay its pro rata share of debt service on any Water/Sewer/Drainage Contract Revenue Bonds issued by the Master District, including the Series 2026 Bonds, (the "Water/Sewer/Drainage Contract Payments"), any Contract Revenue Road Bonds, including the Series 2026 Road Bonds (the "Road Contract Payments") and any Contract Revenue Park Bonds ("Park Contract Payments"). The Water/Sewer/Drainage Contract Payments, Road Contract Payments and Park Contract Payments are collectively referred to herein as the "Contract Payments." The Contract Payments are based upon the Certified Appraised Valuation (which includes value associated with any optional exemptions that are granted by the Participant and the market value of any land value deferred for agricultural use) of each Participant as a percentage of the total Certified Appraised Valuation of all Participants. The Participant is obligated to pay its pro rata share of the annual debt service on the Water/Sewer/Drainage Contract Revenue Bonds, including the Series 2026 Bonds, the Contract Revenue Road Bonds, including the Series 2026 Road Bonds, and any Contract Revenue Park Bonds from the Contract Tax, an annual ad valorem tax, which is not limited as to rate or amount (separately the "Water/Sewer/Drainage Contract Tax," the "Road Contract Tax" and the "Park Contract Tax" and collectively referred to as the "Contract Tax"). No Participant is liable for the payments owed by any other Participant; however, failure of any Participant to make its Contract Payments could result in an increase in the total amount of the Contract Payments and the amount paid by each of the other Participants in a subsequent year or during the time such Participant's payment is delinquent. Currently, as the only active Participant, MUD 2's share of debt service payments on any Contract Revenue Bonds issued by the Master District is 100%. The Bonds are obligations of the Master District and are not obligations of the State of Texas, Montgomery County, the City of Todd Mission, the Participant, or any entity other than the Master District. See "MASTER DISTRICT CONTRACT," "THE BONDS—Source and Security of Payment," and "—Unconditional Obligation to Pay."

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, separate municipal bond insurance policies 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" and "MUNICIPAL BOND INSURANCE."

Not Qualified Tax-Exempt Obligations ..... The Bonds have not been designated "qualified tax-exempt obligations" for financial institutions.

Bond Counsel ..... Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."

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

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

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

THE MASTER DISTRICT CONTRACT

The Participant ..... To date, the Master District has contracted with MUD 2, currently the only active Participant, and the Master District may activate the Master District Contract with the District and MUD 3 in the future as Participants. The Participant is a municipal utility district organized and operating pursuant to Article XVI, Section 59 of the Constitution of Texas and Chapters 49 and 54, Texas Water Code, as amended, to provide water supply and distribution, wastewater collection and treatment, storm drainage, road, and park and recreation services to the area within its boundaries. See "MASTER DISTRICT CONTRACT," "THE PARTICIPANT" and "APPENDIX A."

Debt Service Payments ..... The Master District Contract provides that each Participant shall pay its pro rata share of debt service on the Bonds based upon the Participant's Certified Appraised Valuation as a percentage of the Certified Appraised Valuation of all the Participants, calculated annually. Each Participant is obligated to pay its pro rata share of the annual debt service payments from the Contract Tax, without legal limit as to rate or amount, or from any other legally available funds. The Contract Payment may be calculated to include the charges and expenses of paying agents and registrars utilized in connection with the Bonds, the principal, interest and redemption requirements of the Bonds and all amounts required to establish and maintain funds established under the Bond Resolutions. The Participant's Contract Payment will be calculated annually by the Master District; however, the levy of a Contract Tax or the provisions of other funds to make its Contract Payments is the sole responsibility of the Participant. See "MASTER DISTRICT CONTRACT," "THE BONDS—Source and Security of Payment" and "—Funds." Each Participant is obligated severally, but not jointly, to make Contract Payments to the Master District. No Participant is obligated, contingently or otherwise, to make any Contract Payments owed by any other Participant, however, lack of payment, as required by the Master District Contract, by any Participant, could result in an increase in the Contract Payment amount paid by each of the other Participants in a subsequent year or during the time that such Participant's payment is delinquent. Currently, as the only active Participant, MUD 2's share of debt service payments on any Contract Revenue Bonds issued by the Master District is 100%.

Water and Sewer Revenue..... In addition to obligating the Participant to pay its Contract Payments, the Master District Contract also obligates the Participant to pay monthly charges to the Master District for water and sewer services rendered pursuant to the Master District Contract. The monthly charges paid by the Participant to the Master District will be used to pay operations and maintenance expenses and to provide an operation and maintenance reserve equivalent to three (3) months of operations and maintenance expenses. The Master District Contract obligates the Participant to establish, maintain and from time-to-time adjust its rates, fees and charges for use of its wastewater collection system and water distribution system, or for the availability of such services, to the end that the gross revenues therefrom together with any taxes levied in support thereof and funds received from any other lawful source will be sufficient at all times to pay all operation and maintenance expenses of the Participant's water distribution and wastewater collection system and its obligations to the Master District under the Master District Contract, including its obligation to pay Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds. See "MASTER DISTRICT CONTRACT."

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, particularly the section captioned "RISK FACTORS."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

Appraised Valuation of the Participant:

	Participant Valuation (a)		
Participant	2025 Certified Appraised Valuation (b)	2026 Appraised Valuation (c)	Estimated Appraised Valuation as of 8/1/2026 (d)
MUD 2	$ 28,155,366	$ 134,113,735	$ 188,161,565

Contract Revenue Bonds of the Master District

Direct Debt (the Bonds)	$13,895,000
Estimated Overlapping Debt	25,550,350 (e)
Total Direct and Overlapping Debt	$39,445,350

Direct Debt as a % of	
2026 Appraised Valuation	10.36%
Estimated Appraised Valuation as of August 1, 2026	7.38%
Direct Debt and Estimated Overlapping Debt as a % of	
2026 Appraised Valuation	29.41%
Estimated Appraised Valuation as of August 1, 2026	20.96%

Participants' Appraised Valuation as a % of the Service Area (a):

Participant	2026 Appraised Valuation (c)	% of 2026 Appraised Valuation (c)	Estimated Appraised Valuation as of 8/15/2026 (d)	% of Estimated Appraised Valuation as of 8/15/2026 (d)
MUD 2	$ 134,113,735	100.00%	$ 188,161,565	100.00%

(a) Appraised value does not exclude value associated with any optional exemption that the Participant may grant under Texas law nor does it exclude the market value deferred as a result of agricultural use. MUD 2 is currently the only active Participant.

(b) As certified by the Montgomery Central Appraisal District (the "Appraisal District"). See "APPENDIX A" for information on the Participant's certified value.

(c) The Appraisal District has certified $131,714,149 of appraised value in the boundaries of the Participant for 2026. There is also uncertified appraised value in the boundaries of the Participant that is subject to review and downward revision or adjustment prior to certification in the amount of $2,399,586. For purposes of this OFFICIAL STATEMENT, the 2026 Appraised Valuation represents the certified appraised valuation plus the uncertified appraised value. No tax will be levied on the uncertified value until it is certified. See "APPENDIX A" for information on the Participant's certified and uncertified value.

(d) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the appraised value within the Participant 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 "TAXING PROCEDURES."

(e) See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANT (UNAUDITED)—Estimated Overlapping Debt."

Status of Residential Development as of September 29, 2026 (a):

Participant	Acreage	Total Developed Lots	Completed Homes	Occupied Homes	Homes Under Construction or in a Builders' Name	Vacant Developed Lots
MUD 2	637	682	207	207	143	332

Estimated Population: 725 (b)

Master District Debt Service Funds Available:		
Capitalized Interest from Series 2026 Bond Proceeds	$ 670,000	(c)(d)
Capitalized Interest from Series 2026 Road Bond Proceeds (Twenty-Four (24) Months)	798,625	(c)(e)
Total Debt Service Funds	$1,468,625	
Master District Operating Funds Available as of October 7, 2026	$187,555	(f)
Debt Service Requirements (the Bonds):		
Average Annual Debt Service Requirement (2027-2052)	$1,005,800	(g)
Maximum Annual Debt Service Requirement (2028)	$1,040,819	(g)

(a) See "THE DISTRICT AND SERVICE AREA."
(b) Based upon 3.5 persons per occupied single-family residence.
(c) All of the Master District's Contract Revenue Bonds are payable from Contract Taxes. The revenues from the Water/Sewer/Drainage Contract Tax will be allocated to Water/Sewer/Drainage Contract Revenue Bonds, including the Series 2026 Bonds, and the revenues from the Road Contract Tax will be allocated to the Contract Revenue Road Bonds, including the Series 2026 Road Bonds. The Road Debt Service Fund will not be pledged to the Water/Sewer/Drainage Contract Revenue Bonds, including the Series 2026 Bonds, nor will the Water/Sewer/Drainage Debt Service Fund be pledged to Contract Revenue Road Bonds, including the Series 2026 Road Bonds.
(d) The District will capitalize $670,000 of interest on the Series 2026 Bonds, which represents twenty-four (24) months of interest at 5.00%, and is the maximum amount of capitalized interest approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2026 Bonds."
(e) The District will capitalize twenty-four (24) months of interest on the Series 2026 Road Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2026 Road Bonds."
(f) See "RISK FACTORS—Operational Expenses."
(g) Each Participant is obligated to pay its pro rata share of debt service on the Water/Sewer/Drainage Contract Revenue Bonds, including the Series 2026 Bonds, and the Contract Revenue Road Bonds, including the Series 2026 Road Bonds, by the dates specified in the Master District Contract. Currently, as the only active Participant, MUD 2's share of debt service payments on any Contract Revenue Bonds issued by the Master District is 100%. See "MASTER DISTRICT CONTRACT" and "—Unconditional Obligation to Pay."

Tax Rate of the Participant:

Participant	2026 Debt Service Tax	2026 Maintenance Tax	2026 Contract Tax (b)	2026 Total Tax Rate
MUD 2 (a)	$ 0.22	$ 1.28	$ 0.00	$ 1.50

(a) Does not include overlapping tax rates of the county, school district or any other taxing entities. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANT (UNAUDITED)—Estimated Overlapping Taxes" and "APPENDIX A."
(b) MUD 2, as the only active Participant, is expected to levy a Contract Tax in the fall of 2027.

OFFICIAL STATEMENT

COLTON MUNICIPAL UTILITY DISTRICT NO. 1

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

$6,700,000
CONTRACT REVENUE BONDS
SERIES 2026

$7,195,000
CONTRACT REVENUE ROAD BONDS
SERIES 2026

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Colton Municipal Utility District No. 1 (the "Master District" or the "District") of its $6,700,000 Contract Revenue Bonds, Series 2026 (the "Series 2026 Bonds") and its $7,195,000 Contract Revenue Road Bonds, Series 2026 (the "Series 2026 Road Bonds"). The Series 2026 Bonds and the Series 2026 Road Bonds are collectively referred to herein as the "Bonds."

The Bonds are issued pursuant to the Contract for Financing, Operation, and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer, Park, Road and Other Facilities, as amended (the "Master District Contract"). The Series 2026 Bonds are issued pursuant to conditions of 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, a resolution authorizing the issuance of the Series 2026 Bonds (the "Series 2026 Bond Resolution"), and an order of the Texas Commission on Environmental Quality (the "TCEQ"). The Series 2026 Road Bonds are issued pursuant to conditions of Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas, and a resolution authorizing the issuance of the Series 2026 Road Bonds (the "Series 2026 Road Bond Resolution," and together with the Series 2026 Bond Resolution, the "Bond Resolutions").

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds, the Bond Resolutions, certain other information about the District, Colton Municipal Utility District No. 2 ("MUD 2" or the "Participant") and Magnolia Woods Municipal Utility District No. 3 ("MUD 3"), all of which are located within an approximate 5,725 acre service area (the "Service Area") being provided with or to be provided with regional water, wastewater, storm drainage, park, road and other facilities (the "Master District Facilities") constructed by the Master District, and Colton Development Company LLC, a Texas limited liability company ("CDC" or the "Developer"), the principal developer of the Service Area. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents referenced herein may be obtained from the District, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

MASTER DISTRICT CONTRACT

Currently, only MUD 2 has an active Master District Contract with the Master District and has obtained the approval of the Master District Contract from its voters at an election held within its boundaries and is considered a "Participant." See "THE BONDS—Authority for Issuance." The Master District may activate the Master District Contract with the District and MUD 3 in the future as Participants. If that occurs, then: (i) the Master District will have contracted with all of the municipal utility districts in the Service Area, and (ii) the property in the Service Area that is located within the boundaries of the District and MUD 3 will become subject to the terms of the Master District Contract, including the payment of debt service on bonds issued for regional water, wastewater and storm drainage facilities ("Master District Water/Sewer/Drainage Facilities") (the "Water/Sewer/Drainage Contract Revenue Bonds"), including the Series 2026 Bonds, the bonds issued for the purpose of constructing and acquiring the regional road facilities ("Master District Road Facilities") (the "Contract Revenue Road Bonds"), including the Series 2026 Road Bonds, and the bonds issued for regional park facilities ("Master District Park Facilities") (the "Contract Revenue Park Bonds"). The Water/Sewer/Drainage Contract Revenue Bonds, Contract Revenue Road Bonds and Contract Revenue Park Bonds are collectively referred to as the "Contract Revenue Bonds." The Master District Contract provides that each Participant shall pay its pro rata share of debt service on the Contract Revenue Bonds based upon such Participant's Certified Appraised Valuation as a percentage of the Certified Appraised Valuation of all the Participants, calculated annually (the "Contract Payments"). Each Participant is obligated to pay its pro rata share of the annual debt service payments from the proceeds of annual ad valorem tax without legal limit as to rate or amount (the "Contract Tax"), including the revenues from any other legally available funds. The Contract Tax will consist of a tax for the payment of debt service on the Water/Sewer/Drainage Contract Revenue Bonds (the "Water/Sewer/Drainage Contract Tax"), a tax for the payment of debt service on the Contract Revenue Road Bonds (the "Road Contract Tax") and a tax for the payment of debt service on any Contract Revenue Park Bonds issued by the District (the "Park Contract Tax"). The Contract Payments may be calculated to include the charges and expenses of paying agents and registrars utilized in connection with the Contract Revenue Bonds, the principal, interest and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the applicable bond resolution. Contract Payments will be calculated annually by the Master District; however, the levy of a Contract Tax or the provisions of other funds to make its Contract Payments is the sole responsibility of each Participant. Water/Sewer/Drainage Contract Payments (defined herein) (all of which are derived from the Water/Sewer/Drainage Contract Tax or other legally available funds of the Participants) are not pledged for and are not available to be used to pay debt service on the Contract Revenue Road Bonds, including the Series 2026 Road Bonds, or Contract Revenue Park Bonds. Road Contract Payments (defined herein) (all of which are derived from the Road Contract Tax or other legally available funds of the Participants) are not pledged for and are not available to be used to pay debt service on

the Water/Sewer/Drainage Contract Revenue Bonds, including the Series 2026 Bonds or any Contract Revenue Park Bonds. Pursuant to the Master District Contract, the Master District may finance the cost of Master District Park Facilities either through the issuance of Master District Contract Revenue Park Bonds or may require the Participants to remit Park Construction Charges (as defined in the Master District Contract) to pay for Master District Park Facilities. Park Contract Payments (all of which are derived from the Park Contract Tax or other legally available funds of the Participants) are not pledged for and are not available to be used to pay debt service on the Water/Sewer/Drainage Contract Revenue Bonds, including the Series 2026 Bonds or the Contract Revenue Road Bonds, including the Series 2026 Road Bonds.

The Master District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions. The Master District owns and operates the Master District Facilities, except for roadways that are accepted by Montgomery County, Texas, Grimes County, Texas, or Waller County, Texas, as appropriate, for operation and maintenance by the applicable county. The Participant owns or will own and operate its internal facilities. The internal facilities are expected to be financed with unlimited tax bonds sold by the Participant. It is anticipated that the Master District Facilities will be constructed in stages to meet the needs of a continually expanding population within the Service Area. In the event that the Master District fails to meet its obligations to provide the Master District Water/Sewer/Drainage Facilities as required by the Participant, the Participant has the right pursuant to the Master District Contract to design, acquire, construct, or expand the Master District Water/Sewer/Drainage Facilities needed to provide it with service, and convey such Master District Water/Sewer/Drainage Facilities to the Master District in consideration of payment by the Master District of the actual and reasonable necessary capital costs expended by the Participant for such Master District Water/Sewer/Drainage Facilities. The Participant is further obligated to pay monthly charges to the Master District for water and sewer services rendered pursuant to the Master District Contract. The monthly charges to be paid by the Participant to the Master District will be used to pay its share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. The Participant's share of operation and maintenance expenses and reserve requirements is based upon a "unit cost" of operation and maintenance expense and reserve requirements, calculated by the Master District and expressed in terms of "cost per equivalent single-family residential connection." The Participant's monthly payment to the Master District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family residential connections reserved to it on the first day of the previous month by the unit cost per equivalent single-family residential connection. The monthly cost per single family equivalent connection being charged by the Master District to the Participant is currently $779. Pursuant to the Master District Contract the Participant is obligated to establish and maintain rates, fees and charges for its water and wastewater services which, together with taxes levied and funds received from any other lawful sources, are sufficient at all times to pay operation and maintenance charges of the Master District, to pay other costs of operating and maintaining its own utility system, and to pay its obligations pursuant to the Master District Contract, including its Contract Payments. The Master District does not expect that revenues from the Participant's wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds. All sums payable by the Participant to the Master District pursuant to the Master District Contract are to be paid by the Participant without set off, counterclaim, abatement, suspension or diminution. If the Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District's Facilities by the Participant in addition to the Master District's other remedies pursuant to the Master District Contract. As a practical matter, the Participant has no alternative provider of the water and wastewater services rendered by the Master District under the Master District Contract. See "THE BONDS—Source and Security of Payment" and "—Unconditional Obligation to Pay."

RISK FACTORS

General

The Bonds are special obligations solely of the Master District and are not obligations of the State of Texas; Montgomery County, Texas; the City of Todd Mission, Texas; the Participant; or any entity other than the Master District. The Water/Sewer/Drainage Contract Revenue Bonds, including the Series 2026 Bonds, are payable solely from and to the extent of certain contract payments received by the Master District from the Participants pursuant to the Master District Contract, with each Participant's annual contract payment being equal to its pro rata share of annual debt service on the Water/Sewer/Drainage Contract Revenue Bonds, including the Series 2026 Bonds, plus all charges and expenses of paying agents, registrars and all amounts required to establish and maintain funds established under the Series 2026 Bond Resolution, based upon the Certified Appraised Value of such Participant as a percentage of the total Certified Appraised Value of all Participants (the "Water/Sewer/Drainage Contract Payments"). The Contract Revenue Road Bonds, including the Series 2026 Road Bonds, are payable solely from and to the extent of certain contract payments received by the Master District from the Participants pursuant to the Master District Contract, with each Participant's annual contract payment being equal to its pro rata share of annual debt service on the Contract Revenue Road Bonds, including the Series 2026 Road Bonds, plus all charges and expenses of paying agents, registrars and all amounts required to establish and maintain funds established under the Series 2026 Road Bond Resolution, based upon the Certified Appraised Value of such Participant as a percentage of the total Certified Appraised Value of all Participants (the "Road Contract Payments"). The Water/Sewer/Drainage Contract Payments and Road Contract Payments are referred to herein collectively as the "Contract Payments." The obligations of each Participant to make Contract Payments are several, not joint, obligations pro-rated among the Participants based upon the proportion of the Certified Appraised Valuation of property within each Participant's respective boundaries to the total Certified Appraised Valuation of

property within all of the Participants as described herein. No Participant is obligated to pay the Contract Payments allocated to any other Participant; however, lack of payment by any Participant could result in an increase in the Contract Payment amount paid by each of the other Participants during the time that such Participant's payment is delinquent. The security for payment of the principal of and interest on the Bonds by the Master District therefore depends on the ability of each Participant to collect annual ad valorem taxes (without legal limit as to rate or amount) levied on taxable property within its boundaries sufficient to make its Contract Payments. See "—Registered Owners' Remedies and Bankruptcy Limitation to Registered Owner's Rights" herein and "THE BONDS—Source and Security of Payment."

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the Service Area results from the current market value of single-family residences, developed lots which are currently being marketed by the Developer for sale to homebuilders for the construction of primary residences and undeveloped land. The market value of such homes, lots and land is related to general economic conditions in the Houston region and the national economy 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, 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 Service Area or could impact such values.

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 Service Area. Because of the numerous and changing factors affecting the availability of funds, particularly the liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the Service Area. In addition, since the Service Area is located approximately 45 miles from the downtown business district of the City of Houston, the success of development within the Service Area and growth of Service Area taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the Service Area and restrain the growth or reduce the value of the Service Area's property tax base.

Competition

The demand for and construction of single-family homes in the Service Area could be affected by competition from other residential developments located in the northwest portion of the greater Houston metropolitan area, including within western Montgomery County. Such homes could represent additional competition for new homes proposed to be sold within the Service Area. The competitive position of the Developer in the sale of lots for single-family residential homes within the Service Area 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 Service Area. The District can give no assurance that building and/or marketing programs in the Service Area by the Developer will be implemented or, if implemented, will be successful.

Undeveloped Acreage and Vacant Lots

Approximately 211 developable acres within the Participant have not been provided with utilities and/or paving necessary for the construction of taxable improvements, and as of September 29, 2026, there were 332 vacant single-family residential lots in the Participant. Additionally, there are approximately 5,088 undeveloped acres in the Service Area that have not yet been determined to be for future development or deemed undevelopable. The District makes no representation as to when or if development of this acreage will occur or the timing of new home construction. Future increases in value in the Service Area will result primarily from the construction of lots and homes. Failure of the Developer to develop the developable land or of builders to construct homes on the developed lots could impact the rate of growth of taxable values in the Service Area. See "THE DISTRICT AND SERVICE AREA—Land Use."

Operational Expenses

The Participant is obligated to pay monthly charges to the Master District for water and sewer services rendered pursuant to the Master District Contracts. The monthly charges to be paid by the Participant to the Master District will be used to pay the Participant's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. The Participant's share of operation and maintenance expenses and reserve requirements is based upon a "unit cost" of operation and maintenance expense and reserve requirements, calculated by the Master District and expressed in terms of "cost per equivalent single-family residential connection." The Participant's monthly payment to the Master District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family residential connections reserved to the Participant on the first day of the previous month by the unit cost per equivalent single-family residential connection. The monthly cost per single family equivalent connection being charged by the Master District to the Participant is currently $779. See "THE SYSTEM."

The revenue produced from a monthly $779 connection charge is not currently sufficient to offset the operating expenses of the Master District, and the Master District is dependent upon operating advances from the Developer. The Master District's General Fund balance as of October 7, 2026 was $187,555. Continued maintenance of a positive General Fund balance will depend upon (1) cash advances from the Developer and (2) continued development and increased amounts of monthly connection charge revenue.

Developer Obligation to the District

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

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 Service Area 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 Service Area. 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 Service Area. 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.

Possible Impact on Contract Tax Rate

Assuming no further development, the value of the land and improvements currently within the Service Area will be the major determinant of the ability or willingness of owners of property within the Participant to pay their taxes. The 2026 Appraised Valuation of the Participant is $134,113,735 ($131,714,149 of certified appraised value and $2,399,586 of uncertified appraised value). After issuance of the Bonds, the maximum debt service requirement on the Bonds will be $1,040,819 (2028), and the average annual debt service requirement will be $1,005,800 (2027-2052, inclusive). Assuming no increase or decrease from the 2026 Appraised Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, Contract Tax rates of $0.87 and $0.84 per $100 of appraised value at a ninety percent (90%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively. The Estimated Appraised Valuation of the Participant as of August 1, 2026, is $188,161,565. Assuming no increase or decrease from the Estimated Appraised Valuation as of August 1, 2026, the issuance of no additional debt, and no other funds available for the payment of debt service, Contract Tax rates of $0.62 and $0.60 per $100 of appraised value at a ninety percent (90%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service payment, respectively. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANT (UNAUDITED)—Debt Service Requirements."

No representation or suggestion is made that the uncertified portion of the 2026 Appraised Valuation will not be adjusted downward prior to certification and that the Estimated Appraised Value as of August 1, 2026, provided by the Appraisal District will be certified by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

Debt Burden on Property within the Participant

The Master District expects that the Participant will derive funds to make its Contract Payments to the Master District from the collection of ad valorem taxes, without legal limit as to rate or amount, levied on all taxable property within its boundaries. In addition to the annual levy of a Contract Tax to make its annual Contract Payments, the Participant is authorized, and expected, to levy a tax on property within its boundaries (without legal limit as to rate or amount) to pay annual principal and interest on bonds issued by the Participant and to pay its operations and maintenance expenses. In accordance with the development plan of the Developer, the Participant has issued bonds and is expected to issue additional bonds in the future to finance the internal water, wastewater and storm drainage facilities, roads and the Participant's pro rata share of Master District Park Facilities at the earliest time permitted by the rules of the TCEQ.

The Master District can make no representation that the taxable property values in the Participant will maintain a value sufficient to support the aforementioned Contract Tax or to justify continued payment of taxes by property owners. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANT (UNAUDITED)," "TAX DATA—Tax Adequacy for Debt Service," and "APPENDIX A."

The current TCEQ rules regarding the feasibility of a bond issue for utility districts in the Service Area 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 appraised value. In the case of the Participant, the total combined tax rate under current TCEQ rules includes the Contract Tax rate in combination with the direct tax rates of the Participant for debt service and maintenance and operations. If the current combined tax rate of the Participant should ever exceed $1.50 per $100 of taxable appraised value, the Participant or the Master District could be prohibited under rules of the TCEQ from selling additional bonds which require the prior approval of TCEQ. See "—Possible Impact on Contract Tax Rate" herein and "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANT (UNAUDITED)—Estimated Overlapping Debt" and "—Estimated Overlapping Taxes."

The total composite tax rate, which will include the Contract Tax and direct taxes for debt service and maintenance and operations, of the Participant may be higher than the composite tax rate of property within other competing subdivisions. To the extent that such composite tax rate is not competitive, the growth of property tax values in the Participant and the investment quality or security of the Bonds could be adversely affected. The Master District has no control over such composite tax rate. See "Competition" in this section and "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANT (UNAUDITED)—Estimated Overlapping Taxes."

Contract Tax Procedures

The Bonds will be issued pursuant to the Bond Resolutions wherein the Contract Payments will be pledged to payment of debt service on the Bonds. The Participant's pro rata share of the Contract Payments is calculated by the Master District annually and may include the amount of funds needed for debt service, including funds for appropriate reserves as determined by the Master District. The Participant has an unconditional obligation to pay the amount calculated annually (see "MASTER DISTRICT CONTRACT"). Delay or failure of any Participant to pay its pro rata share of the debt service requirements may adversely affect payment of the Bonds. There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of the Registered Owners (herein defined). Any action in mandamus as a result of a payment or other default under the Bond Resolutions would have to be brought by the Registered Owners themselves against the Master District, and such an action would not necessarily operate to enforce rights against the Participant. See "—Registered Owners' Remedies and Bankruptcy Limitation to Registered Owner's Rights."

Specific Flood Type Risks

The Service Area 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 debris or an 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.

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Extreme Weather Events

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

If a future weather event significantly damaged all or part of the improvements within the Service Area, the assessed value of property within the Service Area could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the Participants' tax rates. Further, there can be no assurance that a casualty loss to taxable property within the Service Area 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 Service Area. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the Service Area could be adversely affected. See "THE SYSTEM—Flood Protection and Drainage."

Registered Owners' Remedies and Bankruptcy Limitation to Registered Owner's Rights

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created or confirmed in the Bond Resolutions, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolutions, the registered owners of the Bonds ("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 Resolutions. Except for mandamus, the Bond Resolutions do 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 Resolutions 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 property of the Master District or property within the Service Area. Further, the Registered Owners cannot themselves foreclose on property within the Service Area or sell property within the Service Area 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 (or another Participant) 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 Owners' remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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.

Future Debt

Pursuant to the Master District Contract, the Master District may issue Water/Sewer/Drainage Contract Revenue Bonds in a principal amount not to exceed $1,305,450,000 to provide the Master District Water/Sewer/Drainage Facilities and for refunding of such bonds, Contract Revenue Road Bonds in a principal amount not to exceed $522,180,000 for the purpose of constructing and acquiring the Master District Road Facilities and for refunding of such bonds, and Contract Revenue Park Bonds in a principal amount not to exceed $733,250,000 for the purpose of constructing and acquiring the Master District Park Facilities and for refunding of such bonds. After the issuance of the Bonds, the Master District will have $1,298,750,000 principal amount of Water/Sewer/Drainage Contract Revenue Bonds authorized but unissued, $514,985,000 principal amount of Contract Revenue Road Bonds authorized but unissued, and all of the principal amount of Contract Revenue Park Bonds authorized will remain unissued. Any future Contract Revenue Bonds will be on a parity with the Bonds. The Master District anticipates that it will issue additional Contract Revenue Bonds. Future issues of Contract Revenue Bonds are intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the Participant. The Master District does not employ any formula with respect to appraised values, tax collections or otherwise to limit the amount of Contract Revenue Bonds which it may issue. The issuance of additional bonds may be subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. To date, the Developer has advanced certain funds for construction of water, sewer and drainage facilities and roads and related improvements for which it has not been reimbursed.

After the reimbursements are made with Bond proceeds, the Master District will owe approximately $21,200,000 (excluding land costs and interest) to the Developer for water, wastewater and storm drainage facilities and will have fully reimbursed the Developer for road and related improvements constructed in the Service Area to date. Pursuant to the Master District Contract, the Master District may finance the cost of Master District Park Facilities either through the issuance of Master District Contract Revenue Park Bonds or may require the Participant to remit Park Construction Charges (as defined in the Master District Contract) to pay for Master District Park Facilities. The principal amount of Contract Revenue Park Bonds issued by the Master District for constructing or acquiring Master District Park Facilities may not exceed one percent (1%) of the Certified Appraised Valuation in all Participants, unless the Master 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 Certified Appraised Valuation in all Participants. See "—Possible Impact on Contract Tax Rate" herein and "THE BONDS—Issuance of Additional Debt" and "—Financing Parks and Recreational Facilities."

The District, in its own capacity, has the right to issue obligations, including unlimited tax bonds for the purpose of financing internal water, wastewater and storm drainage facilities, roads and parks and recreation facilities within its boundaries, tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. The voters of the District have authorized the issuance of $6,535,000 principal amount of unlimited tax bonds for the purpose of purchasing or constructing water, wastewater and storm drainage facilities and for refunding such bonds, $8,740,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities and for refunding such bonds, and $2,510,000 principal amount unlimited tax bonds for the purpose of constructing or acquiring park and recreational facilities and for refunding such bonds, all of which remains authorized but unissued. The District is not currently a participant, but the Master District may contract with the District as a participant in the future. The principal amount of unlimited tax bonds issued by the District for constructing or acquiring park 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 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.

Marketability of the Bonds

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

Environmental Regulations

Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 may be limited.

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.

Tax Collections Limitations and Foreclosure Remedies

The Master District's ability to make debt service payments may be adversely affected by a Participant's inability to collect ad valorem taxes necessary to make its Contract Payments. Under Texas law, the levy of ad valorem taxes by each Participant constitutes a lien in favor of such Participant on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. Each Participant's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time- consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within such Participant and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within a Participant will be allocated pro rata among the Participant's tax obligations (including Road Contract Payments, Water/Sewer/Drainage Contract Payments, maintenance and operation expenses, and debt service for any unlimited tax bonds issued by the Participant). The proceeds of any such sale of property may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANT (UNAUDITED)—Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within a Participant pursuant to the Federal Bankruptcy Code could stay any attempt by the Participant to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES—Participant's Rights in the Event of Tax Delinquencies."

Continuing Compliance with Certain Covenants

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into separate agreements with Build America Mutual Assurance Company ("BAM" or the "Insurer") for the purchase of separate municipal bond insurance policies (each a "Policy" and collectively, the "Policies") to be issued concurrently with the Bonds. At the time of entering into the agreements, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE" and "APPENDIX C—Specimen Municipal Bond Insurance Policies."

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer (the "Insurer") and its claims 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) of the Bonds. See description of "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

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

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

THE BONDS

Description

The Bonds will be dated November 1, 2026 and will accrue interest from the Date of Delivery with interest payable each June 1 and December 1, beginning June 1, 2027 (each an "Interest Payment Date"), and will mature on the dates and in the amounts and accrue interest at the rates shown on the inside cover page hereof. If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolutions. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds are issued in fully registered form, in denominations of $5,000 or any integral multiple of $5,000.

Method of Payment of Principal and Interest

In the Bond Resolutions, the Board has appointed The Bank of New York Mellon Trust Company, N.A., Houston, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry-only system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the May 15 or November 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

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

Source and Security of Payment

The Bonds are special obligations solely of the Master District and are payable solely from and to the extent of certain Contract Payments received by the Master District from the Participants for the purpose of paying the debt service on the Bonds pursuant to the requirements of the Master District Contract. The Master District Contract provides that each Participant shall pay its pro rata share of debt service on any Water/Sewer/Drainage Contract Revenue Bonds issued by the Master District, including the Series 2026 Bonds, any Contract Revenue Road Bonds, including the Series 2026 Road Bonds, and any Contract Revenue Park Bonds based upon such Participant's Certified Appraised Valuation as a percentage of the Certified Appraised Valuation in all Participants. The debt service requirements may be calculated to include the charges and expenses of paying agents and registrars utilized in connection with the Contract Revenue Bonds, the principal, interest and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the Bond Resolutions. Each Participant is obligated to pay its pro rata share of the annual debt service on the Water/Sewer/Drainage Contract Revenue Bonds, including the Series 2026 Bonds, the Contract Revenue Road Bonds, including the Series 2026 Road Bonds, and any Contract Revenue Park Bonds from the Contract Tax, an annual ad valorem tax, which is not limited as to rate or amount (separately the "Water/Sewer/Drainage Contract Tax" and the "Road Contract Tax" and the "Park Contract Tax" and collectively referred to as the "Contract Tax"), or from any other legally available funds of the Participant. The Participant's

pro rata share of debt service requirements will be calculated annually by the Master District; however, the levy of a Contract Tax for the purpose of paying debt service on the Contract Revenue Bonds is the sole responsibility of the Participant. The Bonds are obligations of the Master District and are not obligations of the State of Texas, Montgomery County, the City of Todd Mission, the Participant, or any entity other than the Master District. No Participant is liable for the payments due by any other Participant; however, failure of any Participant to make its Contract Payments could result in an increase in the Contract Payments amount paid by each of the other Participants in a subsequent year or during the time that such Participant is delinquent. Currently, as the only active Participant, MUD 2's share of debt service payments on any Contract Revenue Bonds issued by the Master District is 100%. See "MASTER DISTRICT CONTRACT." The Master District shall calculate on or before September 1 of each year, or as soon thereafter as practical, the amount of Contract Payments due from each Participant in the following calendar year. The Contract Payments shall be billed to each Participant by the Master District on or before September 1, or as soon as practical, of the year prior to the year in which such Contract Payments become due, or as soon thereafter as practical. Such Contract Payments shall be due and payable from each Participant directly to the Master District semiannually on or before March 1 and September 1 of each year.

Unconditional Obligation to Pay

All charges imposed by the Master District to pay debt service on the Bonds will be made by the Participant without set-off, counterclaim, abatement, suspension or diminution, nor will any Participant have any right to terminate the Master District Contract nor be entitled to the abatement of any such payment or any reduction thereof nor will the obligations of the Participant be otherwise affected for any reason, including without limitation acts or conditions of the Master District that might be considered failure of consideration, eviction or constructive eviction, destruction or damage to the Master District Facilities, failure of the Master District to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or connected with the Master District Contract. All sums required to be paid by the Participant to the Master District for such purposes will continue to be payable in all events and the obligations of the Participant will continue unaffected, unless the requirement to pay is reduced or terminated pursuant to an express provision of the Master District Contract. If a Participant disputes the amount to be paid to the Master District, the Participant shall nonetheless promptly make payments as billed by the Master District, and if it is subsequently determined by agreement, arbitration, regulatory decision, or court decision that such disputed payment should have been less, the Master District will then make proper adjustments to all Participants so that the Participant will receive credit for its overpayments.

Funds

In the Series 2026 Bond Resolution, the Water/Sewer/Drainage Debt Service Fund is created, and the proceeds from Water/Sewer/Drainage Contract Payments collected for and on account of the Bonds authorized by the Series 2026 Bond Resolution shall be deposited, as collected, in such fund. The District will capitalize $670,000 of interest on the Series 2026 Bonds, which represents twenty-four (24) months of interest at 5.00%, and is the maximum amount of capitalized interest approved by the TCEQ. The remaining proceeds of the Series 2026 Bonds shall be deposited into the Water/Sewer/Drainage Capital Projects Fund, to be used for the items shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2026 Bonds" and for paying the costs of issuance of the Bonds.

In the Series 2026 Road Bond Resolution, the Road Debt Service Fund is created, and the proceeds from Road Contract Payments collected for and on account of the Bonds authorized by the Series 2026 Road Bond Resolution shall be deposited, as collected, in such fund. The District will capitalize twenty-four (24) months of interest on the Series 2026 Road Bonds. The remaining proceeds of the Series 2026 Road Bonds shall be deposited into the Road Capital Projects Fund, to be used for the items shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2026 Road Bonds" and for paying the costs of issuance of the Bonds.

The Water/Sewer/Drainage Debt Service Fund will not be pledged to the Contract Revenue Road Bonds, including the Series 2026 Road Bonds, nor will the Road Debt Service Fund be pledged to the Water/Sewer/Drainage Contract Revenue Bonds, including the Series 2026 Bonds.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after December 1, 2033, prior to their scheduled maturities, in whole or from time-to-time in part, in integral multiples of $5,000 on December 1, 2032, or any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

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

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

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding 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 separate elections, the voters of the Master District and MUD 2 approved the Master District Contract and the levy of a Contract Tax in support thereof. The Master District Contract authorizes the Master District to issue up to $1,305,450,000 principal amount of Water/Sewer/Drainage Contract Revenue Bonds for acquiring and constructing of Master District Water/Sewer/Drainage Facilities and for refunding such bonds and up to $522,180,000 principal amount of Contract Revenue Road Bonds for acquiring and constructing of Master District Road Facilities and for refunding such bonds. The Master District Contract also authorizes the Master District to issue other contract revenue bonds for other purposes. See "Issuance of Additional Debt" below. See "MASTER DISTRICT CONTRACT."

The Series 2026 Bonds are issued by the Master District pursuant to the terms and provisions of the Master District Contract, the terms and conditions of the Series 2026 Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapter 49 and Chapter 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas and an order of the TCEQ.

The Series 2026 Road Bonds are issued by the Master District pursuant to the terms and provisions of the Master District Contract, the terms and conditions of the Series 2026 Road Bond Resolution, Article III, Section 52 of the Texas Constitution, Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Before the Bonds can be delivered, the Attorney General of Texas must pass upon the legality of certain 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.

No Arbitrage

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

Registration and Transfer

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

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

denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolutions to the same extent as the Bond or Bonds in lieu of which such Bond is delivered. Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on the 15th calendar day of the month next preceding an Interest Payment Date and ending on the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond. The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District. The provisions of this paragraph are subject to the Book-Entry-Only System.

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefore a replacement Bond of like series, 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, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The voters of the Participant have approved the Master District Contract, which contract authorizes the Master District to issue Water/Sewer/Drainage Contract Revenue Bonds in a principal amount not to exceed $1,305,450,000 to provide the Master District Water/Sewer/Drainage Facilities and for refunding of such bonds, Contract Revenue Road Bonds in a principal amount not to exceed $522,180,000 for the purpose of constructing and acquiring the Master District Road Facilities and for refunding of such bonds, and Contract Revenue Park Bonds in a principal amount not to exceed $733,250,000 for the purpose of constructing and acquiring the Master District Park Facilities and for refunding of such bonds. Pursuant to the Master District Contract, approval by the Participant and approval by the voters at an election held by the Participant is required prior to any amendment to the Master District Contract that would increase such $1,305,450,000 authorized amount, and/or such $522,180,000 authorized amount, and/or such $733,250,000 authorized amount. By execution of the Master District Contract between the Master District and the Participant, the Participant is obligated to pay its pro rata share of debt service on the Water/Sewer/Drainage Contract Revenue Bonds issued by the Master District, which will be payable from the Water/Sewer/Drainage Contract Tax, its pro rata share of the debt service of the Contract Revenue Road Bonds issued by the Master District, which will be payable from the Road Contract Tax, and its pro rata share of debt service on any Contract Revenue Park Bonds issued by the Master District, which will be payable from the Park Contract Tax or, in each case, other legally available funds. After the issuance of the Bonds, the Master District will have $1,298,750,000 principal amount of Water/Sewer/Drainage Contract Revenue Bonds authorized but unissued, $514,985,000 principal amount of Contract Revenue Road Bonds authorized but unissued, and all of the principal amount of Contract Revenue Park Bonds authorized will remain unissued.

Pursuant to the Master District Contract, the Master District may finance the cost of Master District Park Facilities either through the issuance of Master District Contract Revenue Park Bonds or may require the Participants to remit Park Construction Charges (as defined below) to pay for Master District Park Facilities. The principal amount of Contract Revenue Park Bonds issued by the Master District for constructing or acquiring Master District Park Facilities may not exceed one percent (1%) of the Certified Appraised Valuation in all Participants, unless the Master 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 Certified Appraised Valuation in all Participants. See "—Financing Parks and Recreational Facilities" herein.

The Master District Contract (except as described above) and the Bond Resolutions impose no limitation on the amount of Contract Revenue Bonds the Master District may issue payable from the Contract Tax. The Participant may issue unlimited tax bonds for water, wastewater, storm drainage, road, and park and recreational purposes, with the approval of the TCEQ (if required), necessary to provide and maintain improvements and facilities to serve land within its boundaries consistent with the purposes for which the Participant was created. TCEQ approval is not currently required for the Master District or any Participants to issue bonds for road facilities. See "MASTER DISTRICT CONTRACT," "RISK FACTORS—Future Debt" and "THE PARTICIPANT."

Financing Parks and Recreational Facilities

Pursuant to the Master District Contract, the Master District owns or will own, construct and/or acquire certain parks and recreational facilities for the benefit of all the Participants (the "Master District Park Facilities"). The Master District may finance the cost of Master District Park Facilities either through the issuance of Master District Contract Revenue Park Bonds or may require each Participant to remit a payment for its pro rata share of the Master District's estimated capital costs of the Master District Park Facilities (the "Park Construction Charges") to pay for Master District Park Facilities. The principal amount of Contract Revenue Park Bonds issued by the Master District for constructing or acquiring Master District Park Facilities may not exceed one percent (1%) of the Certified Appraised Valuation in all Participants, unless the Master 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 Certified Appraised Valuation in all Participants. Any Park Construction Charges will be computed from time-to-time on the basis of the then estimated total capital costs of providing the Master District Park Facilities for the Service Area minus the payments which have been previously received from the Participants as Park Construction Charges and dividing the result by the number of projected total connections to be constructed within the Service Area.

Any Park Construction Charges received by the Master District shall be deposited into a separate fund to be held in trust for the benefit of the Participants (the "Park Construction Fund") and shall be used solely for the purpose of paying the capital costs of the Master District Park Facilities pursuant to the Master District Contract. Any Park Construction Charges are not pledged for and are not available to be used to pay debt service on the Water/Sewer/Drainage Contract Revenue Bonds, including the Series 2026 Bonds, or the Contract Revenue Road Bonds, including the Series 2026 Road Bonds.

Annexation and Strategic Partnership Agreement

The Master District is authorized to enter into a strategic partnership agreement ("SPA") with the City of Todd Mission to provide the terms and conditions under which the City of Todd Mission may annex such district.

Effective May 9, 2024, the Master District entered into a Strategic Partnership Agreement, as amended (the "MUD 1 SPA") with the City of Todd Mission, pursuant to which the area within the boundaries of the Master District (the "MUD 1 SPA Area") has been annexed into the City of Todd Mission for "limited purposes," specifically for the levy of the City of Todd Mission's sales and use tax within the MUD 1 SPA Area's boundaries. The City of Todd Mission agrees that it will not annex all or part of the Master District or commence any action to annex all or part of the Master District for full purposes until the terms and conditions provided in the development agreement entered into between the City of Todd Mission and the Developer, dated July 8, 2021, governing the property subject to the MUD 1 SPA, have been satisfied, at which time the City of Todd Mission has the option to annex the Master District if it chooses to do so. Accordingly, the City of Todd Mission may not annex the Master District for full purposes prior to July 8, 2066 without the written consent of the Developer. Upon full purpose annexation of the Master District, the Master District will continue to exist for an extended period to allow for the completion of Master District operations and the integration of the Master District's system into the City of Todd Mission's system, following which period the City of Todd Mission shall act to abolish the Master District in accordance with applicable law; provided that, if the City of Todd Mission has not abolished the Master District within 90 days after annexation, the Master District shall be automatically abolished on the 91st day. At such time, the City of Todd Mission will assume all rights, assets, liabilities and obligations of the Master District (including all obligations to reimburse the developer within the Master District) and the Master District will not be continued or converted for limited purposes. Upon annexation, the City of Todd Mission shall assume the responsibility for the operation and maintenance of the water, sanitary sewer and drainage systems, park and recreational facilities and road facilities of the Master District and shall be entitled to all utility revenues of the system as consideration for the assumption of such obligations. The rates and fees charged by the City of Todd Mission shall be the same as the rates and fees charged by the City of Todd Mission to customers of the same class in other parts of the City of Todd Mission. See "THE PARTICIPANT—Strategic Partnership Agreement."

Consolidation

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolutions, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Resolutions, 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 Resolutions. Except for mandamus, the Bond Resolutions do 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 Resolutions 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."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry-only 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 (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 so do 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 Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each series and maturity of the Bonds, each in the aggregate principal amount of such series and maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

The 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 neither the District nor the Underwriter take any responsibility for the accuracy thereof.

USE AND DISTRIBUTION OF BOND PROCEEDS

Series 2026 Bonds

The construction costs below were compiled by LJA Engineering, Inc. the Master District's engineer (the "Engineer") and are based upon either contract amounts, or estimates of various costs by the Engineer and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the Master District and the non-construction costs will be finalized after the sale of the Series 2026 Bonds and completion of agreed-upon procedures by the Master District's auditor prior to disbursement. Surplus funds, if any, may be expended for any authorized and lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

CONSTRUCTION COSTS		
• Water Supply Plant No. 1 - Phase 1	$	4,002,923
• Engineering and Testing		447,883
• Storm Water Pollution Prevention		4,135
Total Construction Costs	**$**	**4,454,941**
NON-CONSTRUCTION COSTS		
• Underwriter's Discount	$	201,000
• Capitalized Interest (a)		670,000
• Developer Interest (Estimated)		423,658
• Creation Costs		234,395
• Operating Advances		290,566
Total Non-Construction Costs	**$**	**1,819,619**
ISSUANCE COSTS AND FEES		
• Issuance Costs and Professional Fees	$	326,990
• Bond Application Report		75,000
• State Regulatory Fees		23,450
Total Issuance Costs and Fees	**$**	**425,440**
TOTAL BOND ISSUE	**$**	**6,700,000**

(a) The District will capitalize $670,000 of interest from proceeds of the Series 2026 Bonds, which represents twenty-four (24) months of interest at a 5.00% interest rate, and is the maximum amount of capitalized interest approved by the TCEQ.

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 approved estimated amounts and contingencies, additional TCEQ notice or approval and the issuance of additional bonds may be required.

Series 2026 Road Bonds

The construction costs below were compiled by the Engineer and 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 Master District and the non-construction costs will be finalized after the sale of the Series 2026 Road Bonds and completion of agreed-upon procedures by the Master District's auditor prior to disbursement. Surplus funds, if any, may be expended for any authorized and lawful purpose for which surplus construction funds may be used.

CONSTRUCTION COSTS		
• Access Road to Serve Colton Water Plant No. 1	$	349,010
• Permian Parkway, Phase I Paving		3,763,537
• Land Acquisition		952,896
Total Construction Costs	**$**	**5,065,443**
NON-CONSTRUCTION COSTS		
• Underwriter's Discount	$	215,850
• Capitalized Interest (Twenty-Four (24) Months) (a)		798,625
• Developer Interest (Estimated)		633,425
Total Non-Construction Costs	**$**	**1,647,900**
ISSUANCE COSTS AND FEES		
• Issuance Costs and Professional Fees	$	369,687
• Bond Engineering Report		40,000
• State Regulatory Fees		7,195
• Contingency (a)		64,775
Total Issuance Costs and Fees	**$**	**481,657**
TOTAL BOND ISSUE	**$**	**7,195,000**

(a) Contingency represents the difference in the estimated and actual amount of capitalized interest.

THE PARTICIPANT

Creation, Authority and Description

MUD 2, as the Participant, operates as a municipal utility district pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and is located within the Service Area. To serve the property within its boundaries, the Participant has the power to construct, acquire, operate, maintain and finance water, wastewater and storm drainage, park and recreational facilities and roads. The Participant was created pursuant to a special act of the Texas Legislature, Senate Bill 2504, Act of the 86th Legislature, Regular Session, 2019, codified as Chapter 8257, Texas Special District Local Laws Code, and by the duly adopted Order Dividing District of Magnolia Woods Municipal Utility District No. 1 dated February 2, 2023. In an order dated November 5, 2024, the TCEQ, pursuant to a request by the Participant, granted permission to the Participant to change its name to Colton Municipal Utility District No. 2. The Participant is empowered to exercise all the powers and functions which will permit accomplishment of the purposes for which it were created. The Participant may also establish, operate, and maintain a fire department or contract for firefighting services, if the TCEQ and its voters approve a plan for that purpose.

Authorized Bonds

The Participant has the statutory authority and has voted to authorize the issuance of unlimited tax bonds for the purposes of providing internal water distribution, wastewater collection, storm drainage facilities, internal roads within its boundaries (separate and apart from the Master District Facilities), and parks and recreational facilities. Such bonds are secured by a continuing annual ad valorem tax adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to the Contract Tax. See "—Contract Tax" herein and "APPENDIX A" for a description of the voter authorized bonds, principal amount of bonds issued and principal amount of bonds outstanding for the Participant.

Operations

The Participant is responsible for constructing the internal water distribution system, wastewater collection system, and storm sewers, within its boundaries. Pursuant to the Master District Contract, the Participant obtains potable water and sewer services from the Master District. The Participant sets its own retail rates for water and sewer service, and is required by the Master District Contract to do so at a level which will produce sufficient revenue to pay operating and maintenance charges of the Master District, to pay other costs of operating and maintaining its own utility system.

Contract Tax

The Participant's pro rata share of the debt service requirements on the Contract Revenue Bonds shall be determined by dividing the Participant's Certified Appraised Valuation by the total of all Participants' Certified Appraised Valuation, calculated annually. Calculation of Contract Payments is based upon "gross" certified appraised value and does not make allowances for any exemptions granted by the Participant; however, allowances are made for exemptions provided under Texas law that do not require action by the Participant. See "TAXING PROCEDURES." The Master District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of annual Contract Tax without legal limit as to rate or amount, or from any other legally available funds. The Contract Tax consists of the Water/Sewer/Drainage Contract Tax, the Road Contract Tax and the Park Contract Tax. Currently, as the only active Participant, MUD 2's share of debt service payments on any Contract Revenue Bonds issued by the Master District is 100%. The Master District does not expect that revenues from the Participant's wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of Contract Payments for application to debt service on the Contract Revenue Bonds. See "MASTER DISTRICT CONTRACT," "THE BONDS—Source and Security of Payment," "TAX DATA" and "APPENDIX A."

Direct Debt Service Tax

The Participant has the statutory authority to levy and collect a continuing direct annual ad valorem tax unlimited in amount to pay principal and interest on bonds issued to provide internal water distribution, wastewater collection and storm drainage, internal roads, and parks and recreational facilities. Such tax is in addition to the Contract Tax. See "TAX DATA" and "APPENDIX A."

Maintenance and Operations Taxes

The Participant has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of internal water distribution, wastewater collection, storm drainage facilities, parks and recreational facilities and road facilities. A maintenance tax is in addition to taxes which the Participant is authorized to levy for paying principal of and interest on its unlimited tax bonds and the Contract Tax. See "TAX DATA" and "APPENDIX A."

Annexation by the City of Todd Mission

Under existing Texas law, since the Participant lies partially within the extraterritorial jurisdiction of the City of Todd Mission, the Participant must conform to a City consent ordinance. In addition, except as set forth below under "Strategic Partnership Agreement," the Participant may be annexed by the City of Todd Mission without the Participant's consent. If the Participant is annexed, the City of Todd Mission would assume the Participant's assets and obligations (including the Participant's obligation to make Contract Payments) and may dissolve the Participant. Annexation of territory by the City of Todd Mission is a policy-making matter within the discretion of the Mayor and City Council of the City of Todd Mission, and therefore, the District makes no representation that the City of Todd Mission will ever annex the Participant and assume its debt, nor does the District make any representation concerning the ability of the City of Todd Mission to make debt service payments or Contract Payments if annexation were to occur. See "—Strategic Partnership Agreement" below.

Strategic Partnership Agreement

The Participant is authorized to enter into an SPA with the City of Todd Mission to provide the terms and conditions under which the City of Todd Mission may annex such district.

Effective May 9, 2024, the Participant entered into an SPA with the City of Todd Mission (the "MUD 2 SPA"), pursuant to which approximately 71 acres within the boundaries of the Participant (the "MUD 2 SPA Area") have been annexed into the City of Todd Mission for "limited purposes," specifically for the levy of the City of Todd Mission's sales and use tax within the MUD 2 SPA Area's boundaries. The City of Todd Mission agrees that it will not annex all or part of the Participant or commence any action to annex all or part of the Participant for full purposes until the terms and conditions provided in the development agreement entered into between the City of Todd Mission and the Developer, dated July 8, 2021, governing the property subject to the MUD 2 SPA, have been satisfied, at which time the City of Todd Mission has the option to annex the Participant if it chooses to do so. Accordingly, the City of Todd Mission may not annex the Participant for full purposes prior to July 8, 2066 without the written consent of the Developer. Upon full purpose annexation of the Participant, the Participant will continue to exist for an extended period to allow for the completion of Participant operations and the integration of the Participant's system into the City of Todd Mission's system, following which period the City of Todd Mission shall act to abolish the Participant in accordance with applicable law; provided that, if the City of Todd Mission has not abolished the Participant within 90 days after annexation, the Participant shall be automatically abolished on the 91st day. At such time, the City of Todd Mission will assume all rights, assets, liabilities and obligations of the Participant (including all obligations to reimburse the developer within the Participant) and the Participant will not be continued or converted for limited purposes. Upon annexation, the City of Todd Mission shall assume the responsibility for the operation and maintenance of the water, sanitary sewer and drainage systems, park and recreational facilities and road facilities of the Participant and shall be entitled to all utility revenues of the system as consideration for the assumption of such obligations. The rates and fees charged by the City of Todd Mission shall be the same as the rates and fees charged by the City of Todd Mission to customers of the same class in other parts of the City of Todd Mission. See "THE BONDS—Annexation and Strategic Partnership Agreement."

Consolidation

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

Management

The Participant is governed by a board of directors, consisting of five (5) members, which has control and management of all affairs of the Participant. A directors election may be held within the boundaries of the Participant on the first Saturday in May in even-numbered years. Directors are elected to serve four-year staggered terms. All such directors own property within the boundaries of the Participant. The Participant does not have any employees. The Participant contracts for all services required to maintain its operations. The TCEQ exercises continuing supervisory jurisdiction over the Participant, and operation of the Participant's water, wastewater and storm drainage facilities is subject to regulation by several other state and local agencies.

Financial Data

See "APPENDIX A" for financial information for the Participant.

Future Participants

The Master District may activate the Master District Contract with the District (as a participant district) or MUD 3 in the future. At that time, such districts shall become "Participants" under the Master District Contract and shall be required to pay their respective pro-rata shares of debt service on the outstanding Water/Sewer/Drainage Contract Revenue Bonds, including the Series 2026 Bonds; the outstanding Contract Revenue Road Bonds, including the Series 2026 Road Bonds; and any other Master District Contract Revenue Bonds, all as provided in the Master District Contract and the Bond Resolutions.

The Service Area may only be enlarged upon the approval of the Master District, in which case the Master District would have the right to contract with other participants for the expanded service area. Any contract with a participant outside the existing Service Area and any enlargements in size and capacity of the Master District Facilities is subject to the terms and conditions of the Master District Contract and must not impair the right of the existing Participants to receive services from the Master District, which are established under the Master District Contract for the number of connections reserved to the Participant, except with the consent of the Participant. The Master District agrees that it will only contract with other participants, if any, on substantially the same terms and conditions as are set out in the Master District Contract.

COLTON

The District is part of Colton, a master-planned community currently planned to encompass approximately 5,725 acres at full development. Colton includes three municipal utility districts currently created: the Master District, MUD 2 and MUD 3. All development in Colton is currently taking place in MUD 2. See "THE DISTRICT AND SERVICE AREA."

THE DISTRICT AND SERVICE AREA

General

The Master District is a municipal utility district created as Magnolia Woods Municipal Utility District No. 1 by Senate Bill 2504, Act of the 86th Legislature, Regular Session, 2019, codified as Chapter 8257, Texas Special District Local Laws Code, and by the duly adopted Order Dividing District of Magnolia Woods Municipal Utility District No. 1 dated February 2, 2023. On October 11, 2024 the TCEQ issued an order approving a change in the name of the District from Magnolia Woods Municipal Utility District No.1 to Colton Municipal Utility District No. 1. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 8257 of the Texas Special District Local Laws Code.

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; to collect, transport, and treat wastewater; to control and divert storm water; to provide parks and recreational facilities and to construct certain roads inside and outside its boundaries. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities, subject to the Master District Contract. The District is also empowered to establish, purchase, construct, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities.

Description and Location

The District is located in Montgomery County approximately 45 miles northwest of the downtown business district of the City of Houston. The District lies wholly within the extraterritorial jurisdiction of the City of Todd Mission and within the boundaries of the Magnolia Independent School District. Access to the District is provided by State Highway 249, and the main entrance to the District is on Farm-to-Market 1486. The District consists of approximately 22 acres of land. See "AERIAL LOCATION MAP."

Land Use

All development in the Service Area is currently occurring in the boundaries of MUD 2, as the only active Participant. Development in MUD 2 includes approximately 364 acres of single-family residential development (682 single-family residential lots), approximately 8 acres for an amenity complex, approximately 54 undevelopable acres (greenbelts, public rights-of-way easements and drainage) and approximately 211 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities. There are an additional approximately 5,088 acres located within the Service Area but outside the boundaries of the Participant that have not yet been determined to be for future development or deemed undevelopable. The table below represents a detailed breakdown of the current acreage and development in the Service Area.

MUD 2	Approximate Acres	Lots
Single-Family Residential		
Colton:		682
Section One	61	113
Section Two	30	113
Section Three	55	113
Section Four	21	86
Section Five	38	80
Section Six	75	77
Section Seven	70	63
Section Eight	14	37
Subtotal	364	682
Amenity Complex (a)	8	--
Future Development	211	--
Undevelopable (b)	54	--
MUD 2 Total	637	682
Remaining Service Area Acreage	5,088	--
Total Service Area	5,725	682

(a) An amenity complex is under construction in MUD 2 and is expected to completed by the end of 2026. See "—Status of Development" below.
(b) Includes greenbelts, public rights-of-way easements and drainage.

Status of Development

The single-family residential development within the Service Area currently consists of 682 single-family residential lots on approximately 364 acres in MUD 2. As of September 29, 2026, 207 homes were completed and occupied in the Service Area, 143 homes were under construction or continue to be owned by a builder and 332 developed lots were available for home construction. The estimated population in the Service Area based upon 3.5 persons per occupied single-family residence is 725.

Construction is underway for an approximately 8-acre amenity complex in MUD 2 that will include playgrounds, a splash pad, park and picnic areas, a gym, outdoor amphitheater and event hall. According to the Developer, the complex is expected to be completed by the end of 2026.

Approximately 211 developable acres within MUD 2 have not been provided with utilities and/or paving necessary for the construction of taxable improvements, and approximately 54 acres in MUD 2 are not developable (public rights-of-way, detention, open spaces, easements, and utility sites).

There are approximately 5,088 additional undeveloped acres in the Service Area that have not yet been determined to be for future development or deemed undevelopable. See RISK FACTORS—Undeveloped Acreage and Vacant Lots" and "—Land Use" above.

Homebuilding

Homebuilders active within the District include Beazer Homes, Coventry Homes, David Weekley Homes, Drees Custom Homes, Fedrick Harris Estate Homes, Highland Homes, J. Patrick Homes, Partners in Building, Perry Homes, Village Builders and Westin Homes. According to the Developer, homes within the District range in price from approximately $300,000 to over $1,000,000.

Future Development

Approximately 211 developable acres in the boundaries of the Participant are not yet fully served with water distribution and supply, wastewater collection and treatment, storm drainage facilities or roads. Additionally, there are approximately 5,088 undeveloped acres in the Service Area that have not yet been determined to be for future development or deemed undevelopable. See "RISK FACTORS—Future Debt." The Engineer has stated that under regulatory criteria and current development plans (and excluding any costs of converting to surface water), the remaining authorized but unissued bonds (after issuance of the Bonds) in the aggregate principal amount of $2,546,985,000 should be sufficient to finance the construction of facilities to complete the Service Area's water, sewer, drainage, roads and recreation system for full development of the Service Area.

THE DEVELOPER

Role of a Developer

In general, the activities of a landowner or developer in a municipal utility district such as the District and the other districts in the Service Area 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 roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. 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 any prior real estate experience discussed below of the Developer should not be construed as an indication that further development within the Service Area will occur, or that construction of taxable improvements upon property within the Service Area will occur, or that marketing or leasing of taxable improvements constructed upon property within the Service Area will be successful. See "RISK FACTORS."

Description of the Developer and Principal Landowner

The developer of Colton is Colton Development Company LLC, a Texas limited liability company ("CDC" or the "Developer"). A portion of the undeveloped land within the Colton project boundaries is owned by BAM Houston Real Estate Investment, L.P., a Texas limited partnership ("BAM Houston Real Estate Investment"), which acts solely as a land holding company. BAM Houston Real Estate Investment sells land to the Developer as needed for development. As of July 31, 2026, the Developer had purchased approximately 808 acres within the boundaries of the Service Area, including approximately 523 acres of land within the boundaries of the Participant. BAM Houston Real Estate Investment owns approximately 115 acres of land within the boundaries of the Participant. AIRIA Development Company, a Texas corporation ("AIRIA") manages the development of Colton for the Developer and BAM Houston Real Estate Investment. The controlling interests in AIRIA, CDC, and BAM Houston Real Estate Investment are primarily lineal descendants (or their trusts) of Lester Benny Binion and Phyllis Cope.

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

Acquisition and Development Financing

The Developer is currently funding land acquisition through loans from BAM Houston Real Estate Investment in the amount of $27,651,600 that currently have an outstanding balance of $25,348,131.35 as of July 31, 2026. The loans are secured by liens on the property, which are released by BAM Houston Real Estate Investment as the Developer sells parcels to third parties. According to the Developer, CDC deposited $80,000,000 into an investment account in September 2024 as the source of construction funding. As of July 31, 2026, there was $16,613,714.66 remaining in the account. The Developer is in material compliance with the terms of the loans.

Obligations of the Developer

Neither the Developer nor any other landowner is obligated to pay any principal of or interest on the Bonds. Neither the Developer or any other landowner has any legal commitment to the District or to owners of the Bonds to continue development of the land within the Service Area and may sell or otherwise dispose of their property within the Service Area, or any other assets, at any time. See "THE DISTRICT AND SERVICE AREA—Status of Development."

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by a Board of Directors consisting of five (5) directors which has control over and management supervision of all affairs of the District, including responsibilities related to the Master District in its capacity as a Participant. Directors are elected to four-year terms and elections may be held in May in even numbered years only. None of the members of the Board resides in the District; however, all of the members own land within the District. Directors have staggered four-year terms. The current members of the Board along with their titles and terms are listed as follows:

Name	District Board Title	Term Expires
Chris Boyd	President	May 2030
Zachary McKinney	Vice President	May 2028
Lisa Belus	Secretary	May 2028
Ramon Salazar	Asst. Vice President/Asst. Secretary	May 2030
Israel Huerta	Asst. Vice President/Asst. Secretary	May 2030

District Consultants

The Master District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Bond Counsel/Attorney: The Master District has engaged Allen Boone Humphries Robinson LLP as general counsel to the Master District and as Bond Counsel in connection with the issuance of the Master District's bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

Auditor: The financial statements of the Master District as of January 31, 2026, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX B" for a copy of the Master District's January 31, 2026 financial statements.

Engineer: The Master District's consulting engineer is LJA Engineering, Inc.

Tax Appraisal: The Montgomery Central Appraisal District has the responsibility of appraising all property within the boundaries of the Participant. See "TAXING PROCEDURES."

Tax Assessor/Collector: The Master District has appointed an independent tax assessor/collector to perform the tax collection function. Assessments of the Southwest, Inc. (the "Tax Assessor/Collector") has been employed by the Master District to serve in this capacity.

Bookkeeper: The Master District has contracted with Municipal Accounts & Consulting, L.P. for bookkeeping services (the "Bookkeeper").

Utility System Operator: The operator of the Master District Water/Sewer/Drainage Facilities is Si Environmental, LLC (the "Operator"), which also serves as the operator of MUD 2's internal water and wastewater system.

THE ROAD SYSTEM

The Master District, in its capacity as the provider of Master District Road Facilities necessary to serve the Service Area has constructed or will construct the Master District Road Facilities. The major arterial, collector and thoroughfare roads necessary to serve the Service Area, include but are not limited to Permian Parkway. See "USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2026 Road Bonds."

All Master District Road Facilities within Montgomery County are designed and constructed in accordance with Montgomery County rules and regulations. To date, Montgomery County has completed initial acceptance of the completed Master District Road Facilities and will begin operation and maintenance after one year. In the event Montgomery County were to fail to accept the Master District Road Facilities, the Master District is expected to include the cost of maintenance of same in the Master District's operation and maintenance expenses to be shared by the Participants, currently, only MUD 2, in accordance with the Master District Contract, and such cost could be significant. These roads lie within the public right-of-way. In addition to the roadway, public utilities such as underground water, sewer, and drainage facilities are located within the right-of-way. The right-of-way is also shared by streetlights, sidewalks and franchise utilities (power, gas, telephone and cable).

In addition to the Master District Road Facilities, internal roadways have been or will be constructed by the Participant.

THE SYSTEM

Regulation

Construction and operation of the Master District Facilities 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 TCEQ exercises continuing, supervisory authority over the Participant and the Master District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of Montgomery County. Montgomery County also exercises regulatory jurisdiction over the District and the Master District Facilities.

According to the Engineer, the Master District Facilities that will be financed with proceeds of Contract Revenue Bonds have been designed and the corresponding plans prepared in accordance with accepted engineering practices and specifications and the approval and permitting requirements of the TCEQ, the Texas Department of Health, and Montgomery County, where applicable. Construction of the Master District's facilities is subject to inspection by the TCEQ, and Montgomery County. Each of the aforementioned agencies exercises continuing jurisdiction over the Master District's facilities.

Master District Facilities

Water Supply: The water supply facilities of the Master District currently consist of two water wells with a total capacity of 1,950 gallons per minute ("gpm"), 290,000 gallons of standpipe storage capacity, pressure tank capacity of 20,000 gallons, booster pump capacity of 4,500 gpm, and all appurtenances. According to the Engineer, the major components of the Master District's water supply system have capacity to serve approximately 1,000 equivalent single-family connections ("ESFCs"). As of September 29, 2026, the Master District was serving 350 ESFCs (including 207 active single-family connections and 143 homes under construction or in a builder's name).

In order to fully provide water supply to the Service Area, the Master District Facilities will need to be expanded from time to time to meet the demand for such facilities.

Wastewater Treatment: The Master District is currently constructing a 200,000 gallons per day ("gpd") regional wastewater treatment plant that is expected to be completed in 2027, at which time the wastewater will be treated at the Master District plant. Currently, the utility system operator removes wastewater from the system with pump trucks, which then haul the wastewater offsite for treatment. According to the Engineer, the major components of the Master District's wastewater treatment system have capacity to serve approximately 800 ESFCs. As of September 29, 2026, the Master District was serving 350 ESFCs (including 207 active single-family connections and 143 homes under construction or in a builder's name). The Phase Two expansion of the wastewater treatment plant is currently under design.

Regional Water Distribution and Wastewater Collection: Regional water distribution facilities consist of waterlines ranging in size from 12-inch to 16-inch, generally located within the rights-of-way. These water distribution facilities supply water from the Master District water supply facilities to the Participant's facilities. The wastewater collection facilities include wastewater lines ranging in size from 12-inch to 24-inch generally located within the rights-of- way of collection roads and the previously listed major thoroughfares. These collection lines collect waste from the Participant and transport it to the Master District's wastewater treatment facilities.

Regional Road System: See "THE ROAD SYSTEM."

Master Drainage: The Master District also provides or will provide the Service Area with drainage facilities designed to handle a 100-year storm event. These facilities include drainage channels, detention ponds, water quality ponds, conveyance storm sewer, and reinforced outfalls.

Master Park Facilities: The Master District provides or will provide an interconnected grade separated trail system connecting community parks and recreation facilities. This system extends along and utilizes the drainage corridors as linear parks connecting multiple neighborhood parks. Pursuant to the Master District Contract, the Master District may finance the cost of Master District Park Facilities either through the issuance of Master District Contract Revenue Park Bonds or may require the Participant to remit Park Construction Charges to pay for Master District Park Facilities. See "THE BONDS—Issuance of Additional Debt."

Internal Water Distribution, Wastewater Collection, Storm Drainage Facilities and Road Facilities

Internal water distribution, wastewater collection and storm drainage facilities have been constructed by the Developer on behalf of the Participant to serve approximately 682 single-family residential lots on approximately 364 acres and an amenity complex on approximately 8 acres. See "THE PARTICIPANT—Future Participants" and "THE DISTRICT AND SERVICE AREA—Land Use."

Flood Protection and Drainage

The Service Area is located within Montgomery County, Grimes County and Waller County, and natural pattern for overland flow within the development heads south to Mill Creek. Underground storm sewers within subdivision sections are directed to Master District ponds and drainage channels, which ultimately outfall to the Mill Creek. The Master District is the operator of the major drainage facilities in the Service Area.

Multiple drainage system improvements, such as an underground storm sewer drainage system and drainage channels, were constructed to serve development within the Participant. All platted subdivisions are primarily served with curb and gutter streets and underground storm sewers. Pavement is designed and constructed with "stair stepped" sump inlets and paving elevations generally descend to a low point in the subdivision where the inlets and storm sewer system has been designed to accommodate the anticipated 100-year storm event. All other storm sewers upstream from this extreme event storm sewer system are designed to accommodate the Montgomery County design storm event. All drainage facilities were designed in accordance with Montgomery County Drainage District minimum design criteria. Drainage facilities were constructed to convey storm water runoff into Master District ponds and drainage channels.

The Master District developed a Phase 1 master drainage plan for approximately 1,300 acres within the development that received approval from Montgomery County. As development occurs within the Phase 1 Service Area, the master drainage plan removes any of the developed lots from the 100-year flood plain by filling the development areas, with the flood plain fill mitigated by excavation from other areas within the flood plain that will remain undeveloped. According to the Engineer, none of the currently developed lots are in the 100-year flood plain as a result of the aforementioned process. The flood plain removal is accomplished by submittal of detailed survey information provided to FEMA through a process called a Letter of Map Revisions Based on Fill ("LOMR-F") based on lot elevation. However, during times of severe flooding, area roads can become inundated, which may restrict access into, within, and out of the Service Area. According to the Engineer, approximately 78 acres of the Service Area remain within the 100-year flood plain and portions of this will be filled and removed from the floodplain as development warrants. See "RISK FACTORS—Extreme Weather Events."

Water and Wastewater Operations

The following statement sets forth in condensed form the General Operating Fund for the Master District as derived from the District's audited financial statements for the fiscal years ended January 31, 2025 and January 31, 2026, and an unaudited summary provided by the Bookkeeper for the seven-month period ended August 31, 2026. Such figures are included for informational purposes only. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX B" for further and complete information.

	2/1/2026 to 8/31/2026	Fiscal Year Ended 1/31/2026	Fiscal Year Ended 1/31/2025
	(unaudited)		
Revenues:			
Charges for services	$ 490,361	$ 873,320	$ -
Miscellaneous	630	22	-
Total Revenue	$ 490,990	$ 873,342	$ -
Expenditures:			
Professional Fees	$ 232,434	$ 212,992	$ 162,498
Contracted Services	61,834	41,843	20,837
Utilities	32,693	11,912	-
Repairs and Maintenance	688,095	589,592	-
Other Expenditures	11,981	60,491	51,442
Capital Outlay	-	12,155	-
Total Expenditures	$ 1,027,036	$ 928,985	$ 234,777
NET REVENUES	$ (536,046)	$ (55,643)	$ (234,777)
Other Financing Sources (a)	$ 550,000	$ 74,000	$ 255,500
General Operating Fund Balance (Beginning of Year)	$ 25,343	$ 6,986	$ (13,737)
General Operating Fund Balance (End of Year)	$ 39,298	$ 25,343	$ 6,986

(a) Developer advance. See "RISK FACTORS—Operational Expenses."

FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANT (UNAUDITED)

Gross Appraised Valuation

2026 Appraised Valuation	$134,113,735	(a)
Estimated Appraised Valuation as of August 1, 2026	$188,161,565	(b)

Contract Revenue Bonds of the Master District

Direct Debt (the Bonds)	$13,895,000	
Estimated Overlapping Debt	25,550,350	(c)
Total Direct and Overlapping Debt	$39,445,350	
Direct Debt as a % of		
2026 Appraised Valuation	10.36%	
Estimated Appraised Valuation as of August 1, 2026	7.38%	
Direct Debt and Estimated Overlapping Debt as a % of		
2026 Appraised Valuation	29.41%	
Estimated Appraised Valuation as of August 1, 2026	20.96%	
Master District Debt Service Funds Available:		
Capitalized Interest from Series 2026 Bond Proceeds	$ 670,000	(d)(e)
Capitalized Interest from Series 2026 Road Bond Proceeds (Twenty-Four (24) Months)	798,625	(d)(f)
Total Debt Service Funds	$1,468,625	
Master District Operating Funds Available as of October 7, 2026	$187,555	(g)
Debt Service Requirements (the Bonds):		
Average Annual Debt Service Requirement (2027-2052)	$1,005,800	(h)
Maximum Annual Debt Service Requirement (2028)	$1,040,819	(h)

(a) The Appraisal District has certified $131,714,149 of appraised value in the boundaries of the Participant for 2026. There is also uncertified appraised value in the boundaries of the Participant that is subject to review and downward revision or adjustment prior to certification in the amount of $2,399,586. For purposes of this OFFICIAL STATEMENT, the 2026 Appraised Valuation represents the certified appraised valuation plus the uncertified appraised value. No tax will be levied on the uncertified value until it is certified. See "APPENDIX A" for information on the Participant's certified and uncertified value.

(b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the appraised value within the Participant 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 "TAXING PROCEDURES."

(c) See "—Estimated Overlapping Debt" in this section.

(d) All of the Master District's Contract Revenue Bonds are payable from Contract Taxes. The revenues from the Water/Sewer/Drainage Contract Tax will be allocated to Water/Sewer/Drainage Contract Revenue Bonds, including the Series 2026 Bonds, and the revenues from the Road Contract Tax will be allocated to the Contract Revenue Road Bonds, including the Series 2026 Road Bonds. The Road Debt Service Fund will not be pledged to the Water/Sewer/Drainage Contract Revenue Bonds, including the Series 2026 Bonds, nor will the Water/Sewer/Drainage Debt Service Fund be pledged to Contract Revenue Road Bonds, including the Series 2026 Road Bonds.

(e) The District will capitalize $670,000 of interest on the Series 2026 Bonds, which represents twenty-four (24) months of interest at 5.00%, and is the maximum amount of capitalized interest approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2026 Bonds."

(f) The District will capitalize twenty-four (24) months of interest on the Series 2026 Road Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2026 Road Bonds."

(g) See "RISK FACTORS—Operational Expenses."

(h) Each Participant is obligated to pay its pro rata share of debt service on the Water/Sewer/Drainage Contract Revenue Bonds, including the Series 2026 Bonds, and the Contract Revenue Road Bonds, including the Series 2026 Road Bonds, by the dates specified in the Master District Contract. Currently, as the only active Participant, MUD 2's share of debt service payments on any Contract Revenue Bonds issued by the Master District is 100%. See "MASTER DISTRICT CONTRACT" and "—Unconditional Obligation to Pay."

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

Participant's Appraised Valuation as a Percentage of the Service Area (a):

Participant	2026 Appraised Valuation (b)	% of 2026 Appraised Valuation (b)	Estimated Appraised Valuation as of 8/15/2026 (c)	% of Estimated Appraised Valuation as of 8/15/2026 (c)
MUD 2	$ 134,113,735	100.00%	$ 188,161,565	100.00%

(a) Appraised value does not exclude value associated with any optional exemption that a Participant may grant under Texas law nor does it exclude the market value deferred as a result of agricultural use. MUD 2 is currently the only active Participant.

(b) The Appraisal District has certified $131,714,149 of appraised value in the boundaries of the Participant for 2026. There is also uncertified appraised value in the boundaries of the Participant that is subject to review and downward revision or adjustment prior to certification in the amount of $2,399,586. For purposes of this OFFICIAL STATEMENT, the 2026 Appraised Valuation represents the certified appraised valuation plus the uncertified appraised value. No tax will be levied on the uncertified value until it is certified. See "APPENDIX A" for information on the Participant's certified and uncertified value.

(c) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the appraised value within the Participant 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 "TAXING PROCEDURES."

Debt Service Requirements

The following sets forth the debt service on the Bonds. This schedule does not reflect that the District will capitalize $670,000 of interest on the Series 2026 Bonds, which represents twenty-four (24) months of interest at 5.00%, and is the maximum amount of capitalized interest approved by the TCEQ, and twenty-four (24) months of interest from proceeds of the Series 2026 Road Bonds. See "THE BONDS—Funds" and "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Series 2026 Bonds		Series 2026 Road Bonds		Total Debt Service Requirements
	Principal	Interest	Principal	Interest	
2027	$ -	$ 383,889.79	$ -	$ 412,622.92	$ 796,512.71
2028	140,000	371,506.25	130,000	399,312.50	1,040,818.75
2029	150,000	361,006.25	140,000	389,562.50	1,040,568.75
2030	155,000	349,756.25	150,000	379,062.50	1,033,818.75
2031	165,000	338,131.25	155,000	367,812.50	1,025,943.75
2032	170,000	325,756.25	165,000	356,187.50	1,016,943.75
2033	180,000	313,006.25	175,000	343,812.50	1,011,818.75
2034	190,000	299,506.25	185,000	330,687.50	1,005,193.75
2035	200,000	285,256.25	195,000	316,812.50	997,068.75
2036	205,000	272,756.25	210,000	302,187.50	989,943.75
2037	220,000	262,506.25	220,000	291,687.50	994,193.75
2038	230,000	251,506.25	235,000	280,687.50	997,193.75
2039	240,000	240,006.25	250,000	268,937.50	998,943.75
2040	250,000	228,006.25	265,000	256,437.50	999,443.75
2041	265,000	215,506.25	280,000	243,187.50	1,003,693.75
2042	280,000	201,925.00	295,000	228,837.50	1,005,762.50
2043	290,000	187,575.00	315,000	213,718.75	1,006,293.75
2044	305,000	172,712.50	335,000	197,575.00	1,010,287.50
2045	320,000	157,081.25	355,000	180,406.25	1,012,487.50
2046	340,000	140,681.25	375,000	162,212.50	1,017,893.75
2047	355,000	123,256.25	395,000	142,993.75	1,016,250.00
2048	370,000	105,062.50	420,000	122,750.00	1,017,812.50
2049	390,000	86,100.00	445,000	101,225.00	1,022,325.00
2050	410,000	66,112.50	475,000	78,418.75	1,029,531.25
2051	430,000	45,100.00	500,000	54,075.00	1,029,175.00
2052	450,000	23,062.50	530,000	27,825.00	1,030,887.50
Total	$ 6,700,000	$ 5,806,771.04	$ 7,195,000	$ 6,449,035.42	$ 26,150,806.46

Average Annual Debt Service Requirements (2027-2052)..... $1,005,800
Maximum Annual Debt Service Requirement (2028)..... $1,040,819

Estimated Overlapping Debt

The following table lists the outstanding debt payable from ad valorem taxes, of governmental entities overlapping the Participants and the estimated percentages and amounts of such indebtedness attributable to property within the Participants' boundaries. 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 Participants' boundaries 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
Montgomery County	$ 535,450,000	9/30/2026	0.14%	$ 749,630
Magnolia Independent School District	703,170,000	9/30/2026	1.14%	8,016,138
Lone Star College System	336,455,000	9/30/2026	0.04%	134,582
The Participant (a)	16,650,000	9/30/2026	100.00%	16,650,000
Total Estimated Overlapping Debt				$ 25,550,350
The District's Total Direct Debt (b)				13,895,000
Total Direct and Estimated Overlapping Debt				$ 39,445,350

Ratios of Gross Direct Debt and Estimated Overlapping Debt to:

2026 Appraised Valuation	29.41%
Estimated Appraised Valuation as of August 1, 2026	20.96%

(a) Includes the $10,650,000 Unlimited Tax Road Bonds, Series 2026, sold by the Participant on October 14, 2026, which are expected to be issued on November 19, 2026.
(b) The Bonds.

Estimated Overlapping Taxes

Property within the Participant is subject to taxation by several taxing authorities in addition to the taxes levied by the Participant. 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 each Participant, having the power to tax the property. Each Participant'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 any contract revenue bonds issued by the Master District (including Water/Sewer/Drainage Contract Revenue Bonds and Contract Revenue Road Bonds), to pay debt service on bonded debt issued by each Participant and other taxing authorities, certain taxing jurisdictions, including each Participant, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a summary of taxes levied for the 2026 tax year by all entities which overlap the Service Area and the 2026 tax rate of the Participant. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per $100 of Taxable Assessed Valuation
Montgomery County	$ 0.3860
Montgomery County Hospital District	0.0480
Magnolia Independent School District	0.9325
Montgomery County Emergency Services District No. 10	0.0963
Lone Star College District	0.1058
Total Overlapping Tax Rate	$ 1.5686
The Participant (a)	1.5000
Total Tax Rate	$ 3.0686

(a) See "APPENDIX A" for a breakdown of the Participant's 2026 total tax rate.

TAX DATA

Contract Tax

The District, in its capacity as the Master District, has the statutory authority and the authorization under the Master District Contract to issue Contract Revenue Bonds. The Participant's Contract Payment will be determined annually. The Master District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of the Contract Tax, or from any other legally available funds. See "MASTER DISTRICT CONTRACT" and "THE PARTICIPANT—Contract Tax" and "Historical Contract Payment Collections" in this section.

Appraised Valuation Information (a)

The Participant's Appraised Valuation as of January 1 of each year is used by the Master District in establishing the Contract Payments. The following represents the 2025 and 2026 Appraised Valuations, and the Estimated Appraised Valuation as of August 1, 2026, of the Participant and the Participant's percentage of the total Appraised Valuation. Historical tax information for the Participant is included in APPENDIX A herein.

Participant	2025 Certified Appraised Valuation (a)(b)	% of 2025 Certified Appraised Valuation	2026 Appraised Valuation (a)(b)	% of 2026 Appraised Valuation	Estimated Appraised Valuation as of 8/15/2026 (c)	% of Estimated Appraised Valuation as of 8/15/2026
MUD 2	$ 28,155,366	100.00%	$ 134,113,735	100.00%	$ 188,161,565	100.00%

(a) Appraised value does not exclude value associated with any optional exemption that a Participant may grant under Texas law nor does it exclude the market value deferred as a result of agricultural use. MUD 2 is currently the only active Participant.

(b) As certified by the Appraisal District for 2025. For 2026, the Appraisal District has certified $131,714,149 of appraised value in the boundaries of the Participant. There is also uncertified appraised value in the boundaries of the Participant that is subject to review and downward revision or adjustment prior to certification in the amount of $2,399,586. For purposes of this OFFICIAL STATEMENT, the 2026 Appraised Valuation for the Service Area represents the certified appraised valuation for each plus the uncertified appraised value. No tax will be levied on the uncertified value until it is certified. See "APPENDIX A" for the Participant's certified and uncertified value.

(c) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the appraised value within the Participant 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 "TAXING PROCEDURES."

Historical Contract Payment Collections

The Participant is expected to levy a Contract Tax in the fall of 2027. The initial Water/Sewer/Drainage Contract Payments and Road Contract Payments in connection with the Bonds will be due to the Master District in equal payments on March 1, 2028, and September 1, 2028.

Principal Taxpayers

See "APPENDIX A" for information on the principal taxpayers of the Participant.

Tax Adequacy for Debt Service

The Contract Tax (comprised of Water/Sewer/Drainage Contract Tax and Road Contract Tax) rate calculations set forth below are presented to indicate the tax rates per $100 appraised value which would be required to meet average annual and maximum annual debt service requirements if no growth in the appraised value of the Participant occurred beyond the 2026 Appraised Valuation of $134,113,735 ($131,714,149 of certified appraised value and $2,399,586 of uncertified appraised value) and the Estimated Appraised Valuation as of August 1, 2026, of $188,161,565. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds when due, assuming no further increase or any decrease in appraised value of the Participant, collection of ninety percent (90%) of the Contract Tax levied, the sale of no additional Contract Revenue Bonds and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANT (UNAUDITED)—Debt Service Requirements."

Average Annual Debt Service Requirement (2027-2052)	$1,005,800
$0.84 Tax Rate on 2026 Appraised Valuation	$1,013,900
$0.60 Tax Rate on Estimated Appraised Valuation as of August 1, 2026	$1,016,072
Maximum Annual Debt Service Requirement (2028)	$1,040,819
$0.87 Tax Rate on 2026 Appraised Valuation	$1,050,111
$0.62 Tax Rate on Estimated Appraised Valuation as of August 1, 2026	$1,049,942

No representation or suggestion is made that the uncertified portion of the 2026 Appraised Valuation will not be adjusted downward prior to certification or that the Estimated Appraised Valuation as of August 1, 2026, will be certified as appraised value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Authority to Levy Taxes

The Participant is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within its boundaries in an amount sufficient to pay the principal of and interest on the outstanding bonds issued by such Participant, Water/Sewer/Drainage Contract Payments on the Series 2026 Bonds, Road Contract Payments on the Series 2026 Road Bonds and Contract Payments on any other Contract Revenue Bonds that the Master District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. Under Texas law, the board of directors of each Participant may also levy and collect an annual ad valorem tax for the operation and maintenance of such Participant. See "RISK FACTORS—Future Debt" and "THE PARTICIPANT—Contract Tax," "—Direct Debt Service Tax" and "—Maintenance and Operations Taxes."

Property Tax Code and County-Wide Appraisal District

Title 1 of the Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the Participants. Provisions of the Property Tax Code are complex and are not fully summarized here.

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

Property Subject to Taxation by the Participants

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 are subject to taxation by a Participant. 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 property. In addition, a Participant may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. A Participant may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. A Participant is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair a Participant's obligation to pay tax supported debt incurred prior to adoption of the exemption by a Participant. Furthermore, a Participant must grant exemptions to disabled veterans or

certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forced 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 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.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the Appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1.

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, a Participant 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 a Participant 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 and the Participant have taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Montgomery County, Grimes County, or Waller County may designate part of the area within the Service Area as a reinvestment zone. The City of Todd Mission also may designate property within its boundaries or its extraterritorial jurisdiction as a reinvestment zone. Thereafter, Montgomery County, a Participant, and the City of Todd Mission (after annexation of a Participant(s)) 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 any Participant participating in the abatement agreement, for a period of up to ten (10) years, all or any part of any increase in the appraised value of property covered by the agreement over its appraised value 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 a Participant 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 a Participant in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

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

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every six (6) 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. Each Participant, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the Participant or an estimate of any new property or improvements within the Participant. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the Participant, it cannot be used for establishing a tax rate within the Participant until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as a Participant adopting its tax rate for the tax year. A taxing unit, such as a Participant, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

Participant and Taxpayer Remedies

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

Levy and Collection of Taxes

Each Participant 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 of each Participant, after the legally required notice has been given to owners of property within such Participant, based upon: a) the valuation of property within such Participant as of the preceding January 1, and b) the amount required to be raised for maintenance purposes, debt service on the Participant's bonds, the Participant's pro rata share of the annual debt service requirements (including reserve fund requirements) on contract revenue bonds (including Water/Sewer/Drainage Contract Revenue Bonds and Contract Revenue Road Bonds) issued by the Master District, and other authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed, except as set forth herein with respect to residential homesteads of persons sixty-five (65) years of age or older or disabled. 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 Participant and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the Participant and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the Participants may be rejected. A Participant'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 continues to accrue during the period of deferral.

Tax Payment Installments

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

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

Additional Penalties

The Participant has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the Participant has established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and August 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.

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, 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 Special Taxing Unit is the current year's debt service and Contract Tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than1.035 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 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

The District: The Participant is considered a "Developing District" for the 2026 tax year. The District cannot give any assurances as to what its classification or the classification of the Participant will be at any point in time or whether the District's or Participant's future tax rates will result in a total tax rate that will reclassify the District or the Participant into a new classification and new election calculation.

Participant's Rights in the Event of Tax Delinquencies

Taxes levied by a Participant 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 each Participant, having power to tax the property. Each Participant's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANT (UNAUDITED)—Estimated Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of a 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, a Participant may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the limitations set forth under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, a Participant must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, and by taxpayer redemption rights. A taxpayer may redeem commercial property within six months and all other types of property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records. A Participant's ability to foreclose its tax lien or collection 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—General" and "—Tax Collection Limitations and Foreclosure Remedies."

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, separate municipal bond insurance policies 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 C—Specimen Municipal Bond Insurance Policies."

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 separate municipal bond insurance policies (each a "Policy" and collectively, the "Policies") for the Bonds. 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 C 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.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the approving legal opinions of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the Master District under the Constitution and laws of the State of Texas, payable from the Contract Payments, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinions of Bond Counsel to a like effect and to the effect that, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Code (as defined herein), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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

Allen Boone Humphries Robinson LLP also serves as general counsel to the Master District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Master District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

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

No Material Adverse Change

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

No-Litigation Certificate

The Master District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the Date of Delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds, the Master District Contract, restraining or enjoining the levy, collection and pledge of the funds from which the Bonds are payable; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds or the title of the present officers of the Master District.

TAX MATTERS

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

Tax Exemption

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

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

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

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

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

Not Qualified Tax-Exempt Obligations

The Bonds have not been designated "qualified tax-exempt obligations" for financial institutions.

Additional Federal Income Tax Considerations

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

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

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

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

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

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

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

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

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

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

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

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

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 Master District's records, the Developer, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the Master 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 Master District to such effect except as specified under "—Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this OFFICIAL STATEMENT are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the Master District to render certain professional services, including advising the Master District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICES OF SALE and the OFFICIAL BID FORMS for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the Master 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 Master District has relied upon the following consultants. Each consultant has agreed to the use of information provided by such firms.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the Master District's water and wastewater system and, certain information included in the sections entitled "THE DISTRICT AND SERVICE AREA—Description and Location—Status of Development," "THE SYSTEM," and "THE ROAD SYSTEM" has been provided by LJA Engineering, Inc., 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 historical certified taxable Appraised Valuations has been provided by the Montgomery Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Montgomery County, including within the boundaries of the Participant.

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

Independent Auditor: The financial statements of the Master District and the Participant as of January 31, 2026, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their reports appearing herein. See "APPENDIX B."

Bookkeeper: The information related to the "unaudited" summary of the Master District's General Operating Fund as it appears in "THE SYSTEM—Water and Wastewater Operations" has been provided by Municipal Accounts & Consulting, L.P. and are 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 Master District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the OFFICIAL STATEMENT to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the Master District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the OFFICIAL STATEMENT satisfactory to the Underwriter, provided, however, that the obligation of the Master District to the Underwriter to so amend or supplement the OFFICIAL STATEMENT will terminate when the Master District delivers the Bonds to the Underwriter, unless the Underwriter notifies the Master District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the Master 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 Master District delivers the Bonds).

Certification of Official Statement

The Master District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the Master District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the Master District, the Master 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 Master District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the Master District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the Master District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolutions, the Master District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The Master 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 Master 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"), or any successor to its functions as a repository, through the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The Master District will provide certain updated financial information and operating data to the MSRB through its EMMA System. The information to be updated with respect to the Master District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "THE SYSTEM—Master District Facilities," "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANT (UNAUDITED) (except "—Estimated Overlapping Debt")," "TAX DATA," and "APPENDIX A" (Certain Financial Information Regarding the Participant) and "APPENDIX B" (Audited Financial Statements of the Master District and Participant). The Master District will update and provide this information within six months after the end of each fiscal year ending in or after 2027.

The Master 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 ("Rule"). The updated information will include audited financial statements if the Master 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 Master District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolutions, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The Master 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 Master District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Master District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the Master District or other obligated person or the sale of all or substantially all of the assets of the Master District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the Master District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Master District or other obligated person, any of which affect beneficial owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of

terms, or other similar events under the terms of a financial obligation of the Master District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under the Rule. 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 Resolutions make any provision for debt service reserves or liquidity enhancement. In addition, the Master District will provide timely notice of any failure by the Master District to provide financial information, operating data, or financial statements in accordance with its agreement described under "—Annual Reports."

Availability of Information from MSRB

The Master District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

Limitations and Amendments

The Master District has agreed to update information and to provide notices of specified events only as described above. The Master 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 Master 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 Master District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered Owners or beneficial owners of Bonds may seek a writ of mandamus to compel the Master District to comply with its agreement.

The Master 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 Master District or the Participants, 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 the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Registered Owners of a majority in aggregate principal amount of the outstanding bonds consent to the amendment or (b) any person unaffiliated with the Master 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. The Master District may amend or repeal the agreement in the Bond Resolutions if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the Master 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 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

The Bonds are the Master District's first issuance of bonds; therefore, the District has not previously made any continuing disclosure agreements 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 Colton Municipal Utility District No. 1, as of the date shown on the cover page.

ATTEST:

/s/ Lisa Belus
Secretary, Board of Directors

/s/ Chris Boyd
President, Board of Directors

AERIAL LOCATION MAP

(Approximate boundaries of the Service Area as of August 2026)

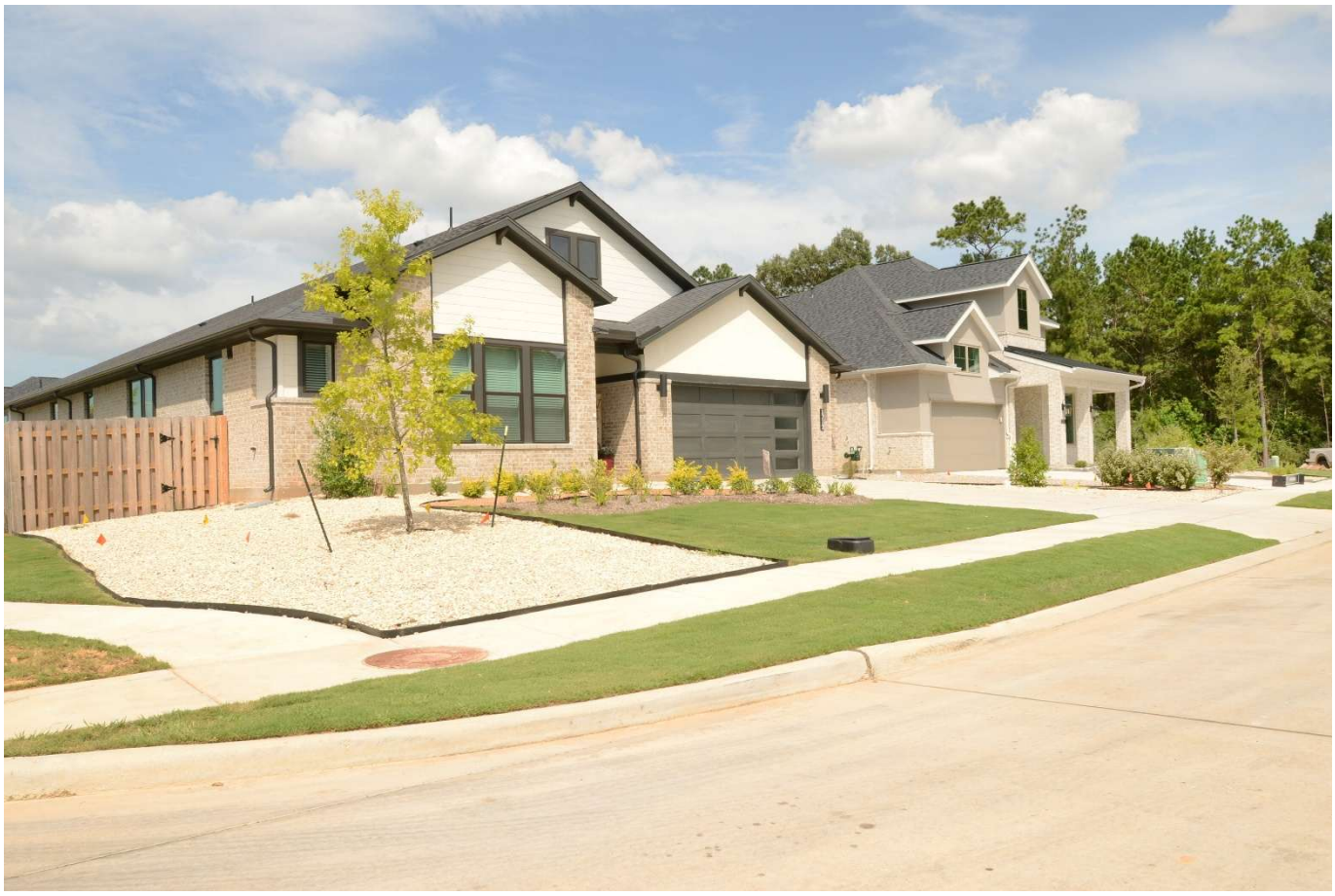

Texas 249
Colton Municipal
Utility District 2
N
Colton Municipal
Utility District 1 (service Area)

PHOTOGRAPHS OF THE DISTRICT

(Taken August 2026)










41692


PRIVATE
RESIDENCE
DO NOT DISTURB


David Weekley Homes
SOLD




1743
SOLD




DRY
TRIM



APPENDIX A

Certain Financial Information Regarding the Participant

Selected information concerning the Participant is included in this APPENDIX in addition to certain general information concerning the Participant and its obligation under the Master District Contract contained in the body of the OFFICIAL STATEMENT. See "THE PARTICIPANT" and "MASTER DISTRICT CONTRACT" therein.

Certain Calculations

The information concerning the debt burden of the Participant makes reference to the principal amount of the Participant's pro rata share of debt service on the Bonds, the Participant's outstanding unlimited tax bonds and certain annual tax rate calculations. In each case, this information has been computed as follows:

Contract Debt: The principal amount of the Participant's Master District Contract debt has been calculated for purposes of the OFFICIAL STATEMENT by allocating the debt service on the Bonds to the Participant in proportion to its appraised values. The appraised values are based on the Estimated Appraised as of August 1, 2026, of the Participant. The Participant's share of annual debt service requirements on the Bonds will be determined annually by reference to its relative appraised values established by the Montgomery Central Appraisal District on January 1 of each year. Currently, as the only active Participant, MUD 2's share of debt service payments on any Contract Revenue Bonds issued by the Master District is 100%. See "MASTER DISTRICT CONTRACT" in the OFFICIAL STATEMENT.

Tax Rate Calculations: Tax rate calculations herein assume that the Participant's appraised value does not change from its Estimated Appraised as of August 1, 2026, and that the Participant collects ninety percent (90%) of the taxes it levies, that it issues no additional bonds, and that the Master District does not issue any additional Contract Revenue Bonds.

COLTON MUNICIPAL UTILITY DISTRICT NO. 2

Voter Authorized Unlimited Tax Bonds (including Unlimited Tax Refunding Bonds)	$112,985,000
Voter Authorized Unlimited Tax Road Bonds (including Unlimited Tax Road Refunding Bonds)	$172,350,000
Voter Authorized Unlimited Tax Park Bonds (including Unlimited Tax Park Refunding Bonds)	$67,680,000
Total Principal Amount of Unlimited Tax Bonds Issued to Date	$16,650,000 (a)
Debt Service Tax Limitation	Unlimited
Maintenance Tax Limitation	$1.50
Road Maintenance Tax Limitation	$0.25
Contract Tax Limitation	Unlimited
Gross Outstanding Direct Debt	$16,650,000 (a)
2026 Taxable Appraised Valuation	$134,113,735 (b)
2026 Appraised Valuation	$134,113,735 (b)
Estimated Taxable Appraised Valuation as of August 1, 2026	$188,161,565 (c)
Estimated Appraised Valuation as of August 1, 2026	$188,161,565 (c)
Estimated Appraised Valuation as of August 1, 2026 as a Percentage of Service Area's Estimated Appraised Valuation as of August 1, 2026	100%
Average Annual Debt Service:	
Pro Rata Share of Contract Revenue Debt Service (2027-2052), Based upon the Estimated Appraised Valuation as of August 1, 2026	$1,005,800
Direct Debt Service (2027-2053)	$1,162,944 (a)
Maximum Annual Debt Service:	
Pro Rata Share of Contract Revenue Debt Service (2028), Based upon the Estimated Appraised Valuation as of August 1, 2026	$1,040,819
Direct Debt Service (2052)	$1,235,875 (a)

	Tax Rate Based Upon the Estimated Appraised Valuation as of August 1, 2026
Contract Tax and Direct Debt Service Tax Required to Pay Pro Rata Share of Debt Service: at 90% Collection Rate	
Average Annual Debt Service:	
Contract Revenue Debt Service (2027-2052)	$0.60
Direct Debt Service (2027-2053) (a)	$0.69
Maximum Annual Debt Service:	
Contract Revenue Debt Service (2028)	$0.62
Direct Debt Service (2052) (a)	$0.73

Status of Development as of September 29, 2026:

Acreage	637
Total Developed Single-Family Residential Lots	682
Total Completed & Occupied Homes	207
Total Homes Under Construction or in a Builder's Name	143
Vacant Developed Single-Family Residential Lots	332
Estimated Population	725 (d)

(a) Includes the $10,650,000 Unlimited Tax Road Bonds, Series 2026, which sold on October 14, 2026 and are expected to be issued on November 19, 2026.

(b) The Appraisal District has certified $131,714,149 of taxable and appraised value for 2026. An additional $2,399,586 of taxable and appraised value remains uncertified and subject to review and downward revision or adjustment prior to certification.

(c) Provided by the Appraisal District as an estimate of the taxable and appraised value as of August 1, 2026.

(d) Based on 3.5 persons per occupied single-family residence.

Principal Taxpayers

The following table represents the ten principal taxpayers, the taxable appraised value of such property as a percentage of the certified portion ($131,714,149) of the 2026 Taxable Appraised Valuation of $134,113,735. Accurate principal taxpayer lists related to the uncertified portion ($2,399,586) of the 2026 Taxable Appraised Valuation and the Estimated Taxable Appraised Valuation as of August 1, 2026, of $188,161,565, are not currently available.

Taxpayer	2026 Certified Taxable Assessed Valuation	% of 2026 Certified Taxable Assessed Valuation
Colton Development Company LLC (a)	$ 13,772,621	10.46%
Westin Homes & Properties LP (b)	7,432,150	5.64%
Weekley Homes LLC (b)	7,391,380	5.61%
DFH Coventry LLC (b)	7,021,199	5.33%
Newmark Homes Houston LLC (b)	6,853,358	5.20%
Beazer Homes Texas LP (b)	5,186,802	3.94%
Highland Homes Houston LLC (b)	4,690,670	3.56%
Drees Custom Homes LP (b)	3,977,286	3.02%
Perry Homes LLC (b)	3,206,692	2.43%
Partners in Building LP (b)	2,263,117	1.72%
Total	$ 61,795,275	46.92%

(a) See "THE DEVELOPER."
(b) See "THE DISTRICT AND SERVICE AREA—Homebuilding."

Tax Rate Distribution

	2026	2025	2024 (b)
Debt Service Tax	$ 0.22	$ -	$ -
Contract Tax (a)	-	-	-
Maintenance Tax	1.28	1.50	1.50
Total District Tax Rate	$ 1.50	$ 1.50	$ 1.50

(a) MUD 2 intends to levy its initial Contract Tax in the fall of 2027.
(b) Initial year of taxation.

Historical Tax Collections

Tax Year	Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy	Total Collections as of September 30, 2026 (b) Amount	Percent
2024	$ 877,999	$ 1.50	$ 13,170	$ 13,170	100.00%
2025	28,155,366	1.50	422,330	422,330	100.00%
2026	134,113,735	1.50	2,011,706	(c)	(c)

(a) As certified by the Appraisal District less any exemptions granted.
(b) Unaudited.
(c) In the process of collection. Taxes for 2026 are due by January 31, 2027.

APPENDIX B

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE MASTER DISTRICT
FOR THE YEAR ENDED JANUARY 31, 2026
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE PARTICIPANT
FOR THE YEAR ENDED JANUARY 31, 2026

Colton Municipal Utility District No. 1

Montgomery County, Texas

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

January 31, 2026

Colton Municipal Utility District No. 1
Contents
January 31, 2026

Independent Auditor's Report 1

Management's Discussion and Analysis 3

Basic Financial Statements

Statement of Net Position 7

Statement of Revenues, Expenses, and Changes in Net Position 8

Statement of Cash Flows 9

Notes to Financial Statements 10

Supplementary Information

Other Schedules Included Within This Report 15

Board Members, Key Personnel, and Consultants 16

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Independent Auditor's Report

Board of Directors
Colton Municipal Utility District No. 1
Montgomery County, Texas

Opinion

We have audited the financial statements of Colton Municipal Utility District No. 1 (District), as of and for the year ended January 31, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the District, as of January 31, 2026, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Forvis Mazars, LLP

Houston, Texas
June 11, 2026

Introduction

This management's discussion and analysis of the financial performance of Colton Municipal Utility District No. 1 (District) provides an overview of the District's financial activities for the year ended January 31, 2026. It should be read in conjunction with the accompanying financial statements of the District. This report also contains supplementary information required by the Governmental Accounting Standards Board and by the District's state oversight agency, the Texas Commission on Environmental Quality (Commission).

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

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

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

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

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

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2026	2025
Current and other assets	$ 346,369	$ 59,079
Capital assets	6,826,859	812,244
Total assets	$ 7,173,228	$ 871,323
Long-term liabilities	$ 13,116,031	$ 1,182,296
Current and other liabilities	505,421	236,488
Total liabilities	13,621,452	1,418,784
Net position		
Net investment in capital assets	(192,157)	(34,552)
Unrestricted	(6,256,067)	(512,909)
Total net position	$ (6,448,224)	$ (547,461)

Operating Results and Changes in Net Position

The total net position of the District decreased by $5,900,763. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for maintenance. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2026	2025
Program revenues		
Charges for services	$ 873,320	$ -
General revenues		
Other revenues	22	-
Total revenues	873,342	-
Expenses		
Services	916,830	419,172
Depreciation	169,760	28,833
Conveyance of capital assets	5,687,515	-
Total expenses	6,774,105	448,005
Change in net position	(5,900,763)	(448,005)
Net position, beginning of year	(547,461)	(99,456)
Net position, end of year	$ (6,448,224)	$ (547,461)

The District's Cash Flows

Changes in the District's cash flows are consistent with changes in net position as discussed earlier.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2026	2025
Water facilities	$ 895,615	$ 342,494
Wastewater facilities	325,100	-
Drainage facilities	4,776,837	-
Land improvements	829,307	469,750
Total capital assets	$ 6,826,859	$ 812,244

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

Land improvements including clearing and grubbing to serve Colton detention pond C2, Phase 2	$ 237,812
Water, sewer, and drainage facilities to serve Permian Parkway and Colton Section 8 and Carizzo Way	3,722,883
Water well Nos. 1 and 2 injection valve improvements	12,155
Retaining walls to serve Colton Sections 3 and 6	143,578
Colton detention pond C2, Phases 1 and 2	2,067,947
Total additions to capital assets	$ 6,184,375

The developer has constructed facilities on behalf of the District under the terms of a contract with the District. The District has agreed to reimburse the cost of these facilities from the sale of contract revenue bonds subject to the approval of the Commission, as applicable, and the terms of the contract with the developer. As of January 31, 2026, a liability for developer-constructed capital assets of $12,706,531 was recorded in the financial statements.

Debt

The changes in the debt position of the District during the year ended January 31, 2026 are summarized as follows:

Long-term debt payable, beginning of year	$ 1,182,296
Increases in long-term debt	11,933,735
Long-term debt payable, end of year	$ 13,116,031

At January 31, 2026, the District had $6,535,000 of unlimited tax bonds authorized, but unissued, for the purpose of acquiring and constructing internal water, sewer, and drainage facilities; $2,510,000 of unlimited tax recreational facilities bonds authorized, but unissued, for the purpose of constructing internal park and recreational facilities; and $8,740,000 of unlimited tax road facilities bonds authorized, but unissued, for the purpose of constructing internal road and paving facilities.

At January 31, 2026, the District had $1,305,450,000 of contract revenue bonds authorized, but unissued, for the purpose of acquiring and construction Master District water, sewer, and drainage facilities; $522,180,000 of contract revenue bonds authorized, but unissued, for the purpose of constructing Master District road facilities; and $733,250,000 of contract revenue bonds authorized, but unissued, for the purpose of constructing Master District park facilities.

Other Relevant Factors

Relationship to the City of Todd Mission

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Todd Mission (City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City on or after July 8, 2066. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Effective May 9, 2024, the District entered into a Strategic Partnership Agreement (Agreement) with the City, which annexed certain property within the boundaries of the District into the City for "limited purposes," as described therein. Under the terms of the Agreement, the City has agreed it will not annex the District as a whole for full purposes until the terms and conditions provided in the Development Agreement entered into between the City and the developer, dated July 8, 2021, governing the property subject to this Agreement, have been satisfied at which time the City has the option to annex the District if it chooses to do so.

Economic Dependency

The District's developer owns the majority of the taxable property in the District and the Master District service area. The District's ability to meet its obligations is dependent on the developer's ability to pay property taxes.

Since inception, the developer has advanced $409,500 to the District for operations. The District does not have sufficient funds or anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Contingencies

The developer of the District is constructing facilities within the boundaries of the District and the Master District service area. The District has agreed to reimburse the developer for these costs, plus interest, from the proceeds of future contract revenue bond sales, to the extent approved by the Commission, as applicable. The District's engineer has stated that current construction contract amounts are approximately $18,569,000. These amounts have not been recorded in the financial statements since the facilities are not complete or operational.

Colton Municipal Utility District No. 1
Statement of Net Position
January 31, 2026

Assets		
Current Assets		
Cash and cash equivalents	$	46,674
Due from participants		218,330
Prepaid expenses		81,365
Total Current Assets		346,369
Noncurrent Assets		
Capital assets, net		
Infrastructure		5,997,552
Land improvements		829,307
Total Noncurrent Assets		6,826,859
Total Assets	$	7,173,228
Liabilities and Net Position		
Current Liabilities		
Accounts payable	$	287,091
Operating deposits		218,330
Total Current Liabilities		505,421
Noncurrent Liabilities		
Long-term liabilities, due after one year		13,116,031
Total Liabilities		13,621,452
Net Position		
Net investment in capital assets		(192,157)
Unrestricted		(6,256,067)
Total Net Position		(6,448,224)
Total Liabilities and Net Position	$	7,173,228

Colton Municipal Utility District No. 1
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended January 31, 2026

Operating Revenues		
Charges for services	$	873,320
Operating Expenses		
Professional fees		212,992
Contracted services		41,843
Utilities		11,912
Repairs and maintenance		589,592
Other		60,491
Depreciation		169,760
Conveyance of capital assets		5,687,515
Total Operating Expenses		6,774,105
Operating Loss		(5,900,785)
Nonoperating Revenues		
Investment income		22
Change in Net Position		(5,900,763)
Net Position		
Beginning of year		(547,461)
End of year	$	(6,448,224)

Colton Municipal Utility District No. 1
Statement of Cash Flows
Year Ended January 31, 2026

Operating Activities		
Receipts from services	$	654,990
Payments for service operations		(889,312)
Other operating receipts		218,330
Net Cash Used in Operating Activities		(15,992)
Capital and Related Financing Activities		
Advances received from developer		74,000
Purchase of capital assets		(12,155)
Net Cash Provided by Capital and Related Financing Activities		61,845
Investing Activity		
Investment income		22
Increase in Cash and Cash Equivalents		45,875
Cash and Cash Equivalents, Beginning of Year		799
Cash and Cash Equivalents, End of Year	$	46,674
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating loss	$	(5,900,785)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense		169,760
Conveyance of capital assets		5,687,515
Changes in assets and liabilities		
Receivables, net		(218,330)
Accounts payable		268,933
Prepaids and other assets		(23,085)
Net Cash Used in Operating Activities	$	(15,992)
Noncash Activities		
Long-term debt incurred for capital assets and conveyed capital assets	$	11,859,735

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

Colton Municipal Utility District No. 1 (District), formerly known as Magnolia Woods Municipal Utility District No. 1, was created by the special act of the Texas Legislature, Senate Bill Number 2504 (Bill) Act of the 86th Legislature of the State of Texas, Regular Session, 2019 as codified as Chapter 8257, Texas Special District Local Laws Code. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (Commission). The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, drainage, park, road, and paving and other facilities.

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

Reporting Entity

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

Basis of Accounting and Presentation

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions. Investment income and interest expense on capital assets-related debt are included in nonoperating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Pension Costs

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

Use of Estimates

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

Cash and Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the financial statements. Capital assets are defined by the District as assets with an individual cost of $5,000 or more and an

estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

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

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

Long-Term Obligations

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

Net Position

Net position of the District is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investments in capital assets. When both restricted and unrestricted resources are available for use, it is generally the District's policy to use restricted resources first.

Note 2. Deposits, Investments, and Investment Income

Deposits

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

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

At January 31, 2026, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies, and counties and other political subdivisions with an investment

rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts, and investment pools.

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

At January 31, 2026, the District had no investments.

Note 3. Capital Assets

A summary of changes in capital assets for the year ended January 31, 2026 is presented below:

	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, depreciable			
Water production and distribution facilities	$ 360,520	$ 585,095	$ 945,615
Wastewater collection and treatment facilities	-	332,489	332,489
Drainage facilities	-	4,885,401	4,885,401
Land improvements	486,276	381,390	867,666
Total capital assets, depreciable	846,796	6,184,375	7,031,171
Less accumulated depreciation			
Water production and distribution facilities	(18,026)	(31,974)	(50,000)
Wastewater collection and treatment facilities	-	(7,389)	(7,389)
Drainage facilities	-	(108,564)	(108,564)
Land improvements	(16,526)	(21,833)	(38,359)
Total accumulated depreciation	(34,552)	(169,760)	(204,312)
Total business-type activities, net	$ 812,244	$ 6,014,615	$ 6,826,859

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended January 31, 2026 were as follows:

	Balances, Beginning of Year	Increases	Balances, End of Year	Amounts Due in One Year
Due to developer				
Construction	$ 846,796	$ 11,859,735	$ 12,706,531	$ -
Operating advances	335,500	74,000	409,500	-
Total business-type activities long-term liabilities	$ 1,182,296	$ 11,933,735	$ 13,116,031	$ -

Internal District bonds voted	
Water, sewer, and drainage	$ 6,535,000
Recreational facilities	2,510,000
Road facilities	8,740,000
Refunding	17,785,000
Contract revenue utility facilities bonds authorized	1,305,450,000
Contract revenue road facilities bonds authorized	522,180,000
Contract revenue park facilities bonds authorized	733,250,000

Due to Developer – Construction

The developer has constructed facilities on behalf of the District under the terms of a contract with the District. The District has agreed to reimburse the cost of these facilities from the sale of contract revenue bonds subject to the approval of the Commission, as applicable, and the terms of the contract with the developer. As of January 31, 2026, a liability for developer-constructed capital assets of $12,706,531 was recorded in the financial statements.

Due to Developer – Advances

Since inception, the developer has advanced $409,500 to the District for operations. The District does not have sufficient funds or anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the financial statements.

Note 5. Maintenance Taxes

At an election held May 6, 2023, voters authorized a maintenance tax not to exceed $1.50 per $100 of assessed valuation on all property within the District subject to taxation. During the year ended January 31, 2026, the District did not levy an ad valorem maintenance tax for the 2025 tax year. The maintenance tax, if levied, will be used by the general fund to pay expenditures of operating the Internal District.

At an election held May 6, 2023, voters authorized a road maintenance tax not to exceed $0.25 per $100 of assessed valuation on all property within the District subject to taxation. During the year ended January 31, 2026, the District did not levy an ad valorem road maintenance tax for the 2025 tax year. The road maintenance tax, if levied, will be used by the general fund to pay expenditures of maintaining the roads of the Internal District.

Note 6. Wastewater Treatment Plant Lease

On December 12, 2024, the District entered into a 60-month lease agreement to lease a 200,000 gallons per day wastewater treatment plant facility. The monthly lease payments are $29,140 during the initial term, which will begin once the facilities are substantially completed. After the initial term, the District may extend the lease on a month-to-month basis for $20,080 per month. The agreement includes a purchase option whereby the District can purchase the plant in accordance with terms outlined in the agreement. During the prior year, the District recorded total payments of $58,280 for the first and last month's lease payments. The facilities were not substantially completed during the current year and the District has not started making monthly lease payments.

Note 7. Financing and Operating of Regional Facilities

On May 6, 2023, the District's voters authorized entry into a 40-year regional facilities contract (contract) whereby the District agreed to provide or cause to be provided for the financing, operation and maintenance of regional water, sanitary sewer, storm sewer, park, road, and other facilities (regional facilities). The District will act as the

master district, shall be the owner of the regional facilities constructed and acquired and be able to provide the services permitted by law to all participating districts that are in existence or will be created within the service area.

Under the terms of the contract, the Master District will charge the participants a monthly operational fee calculated by multiplying the unit cost per connection by the number of equivalent single-family residential connections reserved to each district.

The District is to maintain an operation and maintenance reserve equivalent to three months of budgeted operation and maintenance expenses.

In addition, the Master District is authorized to issue contract revenue bonds, sufficient to complete construction and acquisition of the regional water, sewer, drainage, park, and road regional facilities as needed to serve all districts in the service area. Each participating district is obligated to pay its pro rata share of the debt service requirements on the Master District's contract revenue bonds.

Note 8. Strategic Partnership Agreement

Effective May 9, 2024, the District entered into a Strategic Partnership Agreement (Agreement) with the City of Todd Mission (City), which annexed certain property within the boundaries of the District into the City for "limited purposes," as described therein. Under the terms of the Agreement, the City has agreed it will not annex the District as a whole for full purposes until the terms and conditions provided in the Development Agreement entered into between the City and the developer, dated July 8, 2021, governing the property subject to this Agreement, have been satisfied, at which time the City has the option to annex the District if it chooses to do so.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three fiscal years.

Note 10. Economic Dependency

The District's developer owns the majority of the taxable property in the District and the Master District service area. The District's ability to meet its obligations is dependent on the developer's ability to pay property taxes.

Note 11. Contingencies

The developer of the District is constructing facilities within the boundaries of the District and the Master District service area. The District has agreed to reimburse the developer for these costs, plus interest, from the proceeds of future contract revenue bond sales, to the extent approved by the Commission, as applicable. The District's engineer has stated that current construction contract amounts are approximately $18,569,000. These amounts have not been recorded in the financial statements since the facilities are not complete or operational.

Supplementary Information

Colton Municipal Utility District No. 1
Other Schedules Included Within This Report
January 31, 2026

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

[X] Notes Required by the Water District Accounting Manual
See “Notes to Financial Statements,” Pages 10–14

[ ] Schedule of Services and Rates – Not Applicable

[ ] Schedule of General Fund Expenditures – Not Applicable

[ ] Schedule of Temporary Investments – Not Applicable

[ ] Analysis of Taxes Levied and Receivable – Not Applicable

[ ] Schedules of Long-Term Debt Service Requirements by Years – Not Applicable

[ ] Changes in Long-Term Bonded Debt – Not Applicable

[ ] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund – Not Applicable

[X] Board Members, Key Personnel, and Consultants

Colton Municipal Utility District No. 1
Board Members, Key Personnel, and Consultants
Year Ended January 31, 2026

Complete District mailing address:	Colton Municipal Utility District No. 1 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, TX 77027	
District business telephone number:	713.860.6400	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 45.054):		July 2, 2025
Limit on fees of office that a director may receive during a fiscal year:		$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-End
Craig Lobel	Elected 05/24–05/28	$ 1,989	$ 449	President
Chris Boyd	Appointed 06/25–05/26	1,768	39	Vice President
Lisa Belus	Elected 05/24–05/28	2,652	219	Secretary
Israel Huerta	Appointed 06/24–05/26	2,652	556	Assistant Vice President/ Assistant Secretary
Ramon Salazar Jr.	Appointed 08/23–05/26	2,210	-	Assistant Vice President/ Assistant Secretary
Ashley Bird	Elected 05/24–06/25	221	-	Resigned

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

Colton Municipal Utility District No. 1
Board Members, Key Personnel, and Consultants
Year Ended January 31, 2026 **(Continued)**

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	02/02/23	$ 147,941	General Counsel
Assessments of the Southwest, Inc.	02/02/23	-	Tax Assessor/ Collector
Forvis Mazars, LLP	02/19/25	15,100	Auditor
LJA Engineering, Inc.	08/30/23	53,853	Engineer
Masterson Advisors LLC	02/02/23	-	Financial Advisor
Montgomery Central Appraisal District	Legislative Action	-	Appraiser
Municipal Accounts & Consulting, L.P.	02/02/23	29,826	Bookkeeper
Si Environmental, LLC	08/30/23	555,215	Operator
Terralab Landscape Architect	02/02/23	-	Landscape Architect
Investment Officers			
Mark M. Burton and Ghia Lewis	02/02/23	N/A	Bookkeepers

Colton Municipal Utility District No. 2

Montgomery County, Texas

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

January 31, 2026

Colton Municipal Utility District No. 2
Contents
January 31, 2026

Independent Auditor's Report 1

Management's Discussion and Analysis 3

Basic Financial Statements

Statement of Net Position and Governmental Funds Balance Sheet 8

Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances 9

Notes to Financial Statements 10

Required Supplementary Information

Budgetary Comparison Schedule – General Fund 21

Notes to Required Supplementary Information 22

Supplementary Information

Other Schedules Included Within This Report 23

Schedule of Services and Rates 24

Schedule of General Fund Expenditures 25

Schedule of Temporary Investments 26

Analysis of Taxes Levied and Receivable 27

Schedule of Long-Term Debt Service Requirements by Years 28

Changes in Long-Term Bonded Debt 29

Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund 30

Board Members, Key Personnel, and Consultants 32

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Independent Auditor's Report

Board of Directors
Colton Municipal Utility District No. 2
Montgomery County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Colton Municipal Utility District No. 2 (District), as of and for the year ended January 31, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of January 31, 2026, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Forvis Mazars, LLP

Houston, Texas
June 10, 2026

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2026	2025
Current and other assets	$ 1,414,009	$ 12,569
Capital assets	16,316,371	1,207,735
Total assets	$ 17,730,380	$ 1,220,304
Long-term liabilities	$ 27,478,816	$ 1,568,906
Other liabilities	872,931	71,106
Total liabilities	28,351,747	1,640,012
Deferred inflows of resources	416,601	1,326
Net position		
Net investment in capital assets	(681,124)	(8,889)
Restricted	554	-
Unrestricted	(10,357,398)	(412,145)
Total net position	$ (11,037,968)	$ (421,034)

The total net position of the District decreased by $10,616,934. The majority of the decrease in net position is related to services and depreciation expenses and conveyance of capital assets to another governmental entity exceeding other revenues. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2026	2025
Revenues		
Property taxes	$ 1,326	$ -
Charges for services	67,342	-
Other revenues	809,170	170
Total revenues	877,838	170
Expenses		
Services	1,633,077	184,355
Depreciation	345,403	8,889
Conveyance of capital assets	9,109,309	146,782
Debt service	406,983	-
Total expenses	11,494,772	340,026
Change in net position	(10,616,934)	(339,856)
Net position, beginning of year	(421,034)	(81,178)
Net position, end of year	$ (11,037,968)	$ (421,034)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended January 31, 2026 were $242,634, an increase of $264,678 from the prior year.

The general fund's fund balance decreased by $415,333 primarily due to service operations expenditures exceeding services and tap connection and inspection fees revenues as well as developer advances received.

The debt service fund's fund balance increased by $560,490 primarily due to proceeds received from the sale of road bonds.

The capital projects fund's fund balance increased by $119,521 primarily due to proceeds received from the sale of road bonds exceeding capital outlay expenditures and debt issuance costs.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to tap connection and inspection fees revenues and related expenditures being greater than expected and property taxes revenues and developer advances received being less than expected. The fund balance as of January 31, 2026 was expected to be $295,336, and the actual end-of-year fund balance was $(437,377).

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2026	2025
Land and improvements	$ 1,127,528	$ 816,598
Water facilities	2,409,743	-
Wastewater facilities	5,275,643	-
Drainage facilities	7,154,802	34,373
Land improvements	348,655	356,764
Total capital assets	$ 16,316,371	$ 1,207,735

During the current year, additions to capital assets were as follows.

Land and improvements, including mass grading to serve Colton, Section 5, Phase Nos. 1 and 2	$ 310,930
Water, sewer, and drainage facilities to serve Colton, Sections 1–8 and Carrizo Way	15,143,109
Total additions to capital assets	$ 15,454,039

The developer within the District has constructed facilities on behalf of the District under the terms of a contract with the District. The District has agreed to reimburse the developer for these facilities from the proceeds of future bond sales, subject to the approval of the Commission, as applicable. As of January 31, 2026, a liability for developer-constructed capital assets of $21,104,611 has been recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended January 31, 2026 are summarized as follows:

Long-term debt payable, beginning of year	$ 1,568,906
Increases in long-term debt	25,973,610
Decreases in long-term debt	(63,700)
Long-term debt payable, end of year	$ 27,478,816

At January 31, 2026, the District had $112,985,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing, and improving the water, sanitary sewer, and drainage systems within the District; $67,680,000 of unlimited tax bonds authorized, but unissued, for the purposes of constructing park and recreational facilities; and $166,350,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing roads.

The District's Series 2025 Road bonds are not rated.

Other Relevant Factors

Relationship to the City of Todd Mission

Under existing Texas law, since the District lies partially within the extraterritorial jurisdiction of the City of Todd Mission (City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City on or after July 8, 2066. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Effective May 9, 2024, the District entered into a Strategic Partnership Agreement (Agreement) with the City, which annexed certain property within the boundaries of the District into the City for "limited purposes," as described therein. Under the terms of the Agreement, the City has agreed it will not annex the District as a whole for full purposes until the terms and conditions provided in the Development Agreement entered into between the City and the developer, dated July 8, 2021, governing the property subject to this Agreement, have been satisfied, at which time the City has the option to annex the District if it chooses to do so.

Economic Dependency

The District's developer owns the majority of the taxable property within the District. The District's ability to meet its obligations is dependent on the developer's ability to pay property taxes.

Since inception, the developer has advanced $548,500 to the District for operations. The District does not have sufficient funds or anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Contingencies

The developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, as applicable. The District's engineer has stated that current construction amounts are approximately $1,247,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Colton Municipal Utility District No. 2
Statement of Net Position and Governmental Funds Balance Sheet
January 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 315,822	$ -	$ 390	$ 316,212	$ -	$ 316,212
Short-term investments	501	560,490	136,017	697,008	-	697,008
Receivables						
Property taxes	154,109	-	-	154,109	-	154,109
Service accounts	25,224	-	-	25,224	-	25,224
Prepaid expenditures	3,126	-	-	3,126	-	3,126
Operating reserve	218,330	-	-	218,330	-	218,330
Capital assets (net of accumulated depreciation)						
Land and improvements	-	-	-	-	1,127,528	1,127,528
Infrastructure	-	-	-	-	14,840,188	14,840,188
Land improvements	-	-	-	-	348,655	348,655
Total Assets	$ 717,112	$ 560,490	$ 136,407	$ 1,414,009	$ 16,316,371	$ 17,730,380
Liabilities						
Accounts payable	$ 424,055	$ -	$ 16,886	$ 440,941	$ 82,819	$ 523,760
Accrued interest payable	-	-	-	-	35,338	35,338
Customer deposits	48,000	-	-	48,000	-	48,000
Unearned tap connection fees	265,783	-	-	265,783	-	265,783
Due to others	50	-	-	50	-	50
Long-term liabilities, due after one year	-	-	-	-	27,478,816	27,478,816
Total Liabilities	737,888	-	16,886	754,774	27,596,973	28,351,747
Deferred Inflows of Resources						
Deferred property tax revenues	416,601	-	-	416,601	-	416,601
Fund Balances/Net Position						
Fund balances (deficit)						
Nonspendable, prepaid expenditures	3,126	-	-	3,126	(3,126)	-
Restricted						
Unlimited tax road bonds	-	560,490	-	560,490	(560,490)	-
Roads	-	-	119,521	119,521	(119,521)	-
Assigned to operating reserve	218,330	-	-	218,330	(218,330)	-
Unassigned	(658,833)	-	-	(658,833)	658,833	-
Total fund balances (deficit)	(437,377)	560,490	119,521	242,634	(242,634)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 717,112	$ 560,490	$ 136,407	$ 1,414,009		
Net position						
Net investment in capital assets					(681,124)	(681,124)
Restricted for capital projects					554	554
Unrestricted net position					(10,357,398)	(10,357,398)
Total net position					$ (11,037,968)	$ (11,037,968)

Colton Municipal Utility District No. 2
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances
Year Ended January 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 1,326	$ -	$ -	$ 1,326	$ -	$ 1,326
Water service	40,644	-	-	40,644	-	40,644
Sewer service	25,700	-	-	25,700	-	25,700
Regional water fee	998	-	-	998	-	998
Penalty and interest	1,588	-	-	1,588	-	1,588
Tap connection and inspection fees	794,626	-	-	794,626	-	794,626
Investment income	48	2,727	664	3,439	-	3,439
Other income	9,517	-	-	9,517	-	9,517
Total Revenues	874,447	2,727	664	877,838	-	877,838
Expenditures/Expenses						
Service operations						
Purchased services	873,321	-	-	873,321	-	873,321
Professional fees	114,646	-	-	114,646	187	114,833
Contracted services	65,300	-	-	65,300	-	65,300
Repairs and maintenance	159,541	-	-	159,541	-	159,541
Other expenditures	40,655	-	110	40,765	-	40,765
Tap connections	379,317	-	-	379,317	-	379,317
Capital outlay	-	-	4,822,330	4,822,330	(4,822,330)	-
Depreciation	-	-	-	-	345,403	345,403
Conveyance of capital assets	-	-	-	-	9,109,309	9,109,309
Debt service						
Interest and fees	-	-	-	-	35,338	35,338
Debt issuance costs	-	-	326,645	326,645	45,000	371,645
Total Expenditures/Expenses	1,632,780	-	5,149,085	6,781,865	4,712,907	11,494,772
Excess (Deficiency) of Revenues Over Expenditures	(758,333)	2,727	(5,148,421)	(5,904,027)	(4,712,907)	
Other Financing Sources (Uses)						
General obligation bonds issued	-	557,763	5,442,237	6,000,000	(6,000,000)	
Discount on debt issued	-	-	(174,295)	(174,295)	174,295	
Developer advances received	343,000	-	-	343,000	(343,000)	
Total Other Financing Sources	343,000	557,763	5,267,942	6,168,705	(6,168,705)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(415,333)	560,490	119,521	264,678	(264,678)	
Change in Net Position					(10,616,934)	(10,616,934)
Fund Balances (Deficit)/Net Position						
Beginning of year	(22,044)	-	-	(22,044)	-	(421,034)
End of year	$ (437,377)	$ 560,490	$ 119,521	$ 242,634	$ -	$ (11,037,968)

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

Colton Municipal Utility District No. 2 (District), formerly known as Magnolia Woods Municipal Utility District No. 2, was created by the special act of the Texas Legislature, Senate Bill Number 2504 (Bill) Act of the 86th Legislature of the State of Texas, Regular Session, 2019 as codified as Chapter 8257, Texas Special District Local Laws Code. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (Commission). The principal functions of the District are to finance, construct, own and/or operate waterworks, wastewater, drainage, park, road and paving, and other facilities.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures, and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered

susceptible to accrual include taxes, charges for services, and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Any collections on the current year tax levy are deferred and recognized in the subsequent fiscal year. Current year revenues recognized are those taxes collected during the fiscal year for prior years' tax levies, plus any collections received during fiscal 2025 on the 2024 levy.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended January 31, 2026, the tax levied in October 2025 is recorded as receivable and deferred inflows of resources and will be considered earned during the fiscal year ending January 31,

2027. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

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

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

The District conveys ownership of road and paving facilities constructed by the District to another governmental entity upon completion for maintenance.

Debt Issuance Costs

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

Long-Term Obligations

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

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

Net Position/Fund Balances

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

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

Reconciliation of Government-Wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the fund financial statements.	$ 16,316,371
Accounts payable amounts that are not payable in the current period are not reported in the fund financial statements.	(82,819)
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(35,338)
Long-term debt obligations are not due and payable in the current period and are not reported in the fund financial statements.	(27,478,816)
Adjustment to fund balances to arrive at net position.	$ (11,280,602)

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

Change in fund balances.	$ 264,678
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense, noncapitalized costs, and conveyance of capital assets exceeded capital outlay expenditures in the current period.	(4,632,569)
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	(343,000)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	174,295

Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any affect on net position.	$ (6,000,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(80,338)
Change in net position of governmental activities.	$ (10,616,934)

Note 2. Deposits, Investments, and Investment Income

Deposits

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

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

At January 31, 2026, none of the District's bank balances were exposed to custodial credit risk.

Investments

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

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

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. The District's investments in Texas CLASS are reported at net asset value.

At January 31, 2026, the District had the following investments and maturities:

		Maturities in Years			
Type	Fair Value	Less Than 1	1–5	6–10	More Than 10
Texas CLASS	$ 697,008	$ 697,008	$ -	$ -	$ -

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At January 31, 2026, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at January 31, 2026 as follows:

Carrying value	
Deposits	$ 316,212
Investments	697,008
Total	$ 1,013,220

Investment Income

Investment income of $3,439 for the year ended January 31, 2026 consisted of interest income.

Fair Value of Measurements

The District has the following recurring fair value measurements as of January 31, 2026:

- Pooled investments of $697,008 are valued at fair value per share of the pool's underlying portfolio.

Note 3. Capital Assets

A summary of changes in capital assets for the year ended January 31, 2026 is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable			
Land and improvements	$ 816,598	$ 310,930	$ 1,127,528

Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, depreciable			
Water production and distribution facilities	$ -	$ 2,464,510	$ 2,464,510
Wastewater collection and treatment facilities	-	5,395,543	5,395,543
Drainage facilities	35,154	7,283,056	7,318,210
Land improvements	364,872	-	364,872
Total capital assets, depreciable	400,026	15,143,109	15,543,135
Less accumulated depreciation			
Water production and distribution facilities	-	(54,767)	(54,767)
Wastewater collection and treatment facilities	-	(119,900)	(119,900)
Drainage facilities	(781)	(162,627)	(163,408)
Land improvements	(8,108)	(8,109)	(16,217)
Total accumulated depreciation	(8,889)	(345,403)	(354,292)
Total governmental activities, net	$ 1,207,735	$ 15,108,636	$ 16,316,371

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended January 31, 2026 were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable					
General obligation bonds	$ -	$ 6,000,000	$ -	$ 6,000,000	$ -
Less discounts on bonds	-	174,295	-	174,295	-
	-	5,825,705	-	5,825,705	-
Due to developer – advances	205,500	343,000	-	548,500	-
Due to developer – construction	1,363,406	19,804,905	63,700	21,104,611	-
Total governmental activities long-term liabilities	$ 1,568,906	$ 25,973,610	$ 63,700	$ 27,478,816	$ -

General Obligation Bonds

	Road Series 2025
Amount outstanding, January 31, 2026	$6,000,000
Interest rates	4.00% to 5.00%
Maturity dates, serially beginning/ending	September 1, 2027/2052
Interest payment dates	March 1/September 1
Callable date*	September 1, 2031

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at January 31, 2026:

Year	Principal	Interest	Total
2027	$ -	$ 196,765	$ 196,765
2028	115,000	278,881	393,881
2029	120,000	274,281	394,281
2030	125,000	269,481	394,481
2031	130,000	264,482	394,482
2032–2036	770,000	1,236,631	2,006,631
2037–2041	1,000,000	1,052,644	2,052,644
2042–2046	1,285,000	795,182	2,080,182
2047–2051	1,665,000	451,850	2,116,850
2052–2053	790,000	59,750	849,750
Total	$ 6,000,000	$ 4,879,947	$ 10,879,947

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

Bonds voted	
Water, sewer, and drainage facilities	$ 112,985,000
Park and recreational facilities	67,680,000
Road facilities	172,350,000
Refunding bond authorization	353,015,000
Bonds sold	
Road facilities	6,000,000

Developer Advances

Since inception, the developer has advanced $548,500 to the District for operations. The District does not have sufficient funds or anticipated revenues sufficient to liquidate these advances during the forthcoming year. These advances have been recorded as liabilities in the government-wide financial statements.

Due to Developer – Construction

The developer has constructed facilities on behalf of the District under the terms of a contract with the District. The District has agreed to reimburse the cost of these facilities from the sale of unlimited tax bonds subject to the approval of the Commission, as applicable, and the terms of the contracts with the developer. As of January 31, 2026, a liability for developer-constructed capital assets of $21,104,611 was recorded in the government-wide financial statements.

Note 5. Significant Bond Resolution and Commission Requirements

(A) The Bond Resolution requires that the District levy and collect an ad valorem road debt service tax sufficient to pay principal and interest on road bonds when due. During the year ended January 31, 2026, the District did not levy an ad valorem road debt service tax rate. The District will utilize available debt service fund resources and road bond proceeds for the interest requirements to be paid of $196,765.

(B) In accordance with the Road Series 2025 Bond Resolution, a portion of the bond proceeds were deposited into the debt service fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year	$ -
Additions – interest appropriated from Road Series 2025 bond proceeds	557,763
Bond interest reserve, end of year	$ 557,763

Note 6. Maintenance Taxes

At an election held May 6, 2023, voters authorized a maintenance tax not to exceed $1.50 per $100 of assessed valuation on all property within the District subject to taxation. During the year ended January 31, 2026, the District levied an ad valorem maintenance tax at the rate of $1.5000 per $100 of assessed valuation, which resulted in a tax levy of $416,601 on the taxable valuation of $27,773,374 for the 2025 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held May 6, 2023, voters authorized a road maintenance tax not to exceed $0.25 per $100 of assessed valuation on all property within the District subject to taxation. During the year ended January 31, 2026, the District did not levy an ad valorem road maintenance tax. The road maintenance tax, if levied, will be used by the general fund to pay expenditures of operating the roads within the District.

Note 7. Financing and Operation of Regional Facilities

On May 6, 2023, the District's voters authorized entry into a 40-year regional facilities contract (contract) with Colton Municipal Utility District No. 1 (Colton No. 1) whereby Colton No. 1 agreed to provide or cause to be provided for

the financing, operation and maintenance of regional water, sanitary sewer, storm sewer, park, road, and other facilities (regional facilities). Colton No. 1 will act as the master district, shall be the owner of the regional facilities constructed and acquired and be able to provide the services permitted by law to all participating districts that are in existence or will be created within the service area.

Under the terms of the contract, the Master District will charge the participants a monthly operational fee calculated by multiplying the unit cost per connection by the number of equivalent single-family residential connections reserved to each district. The District's share of operational costs for the year was $873,321.

The District is to maintain an operation and maintenance reserve equivalent to three months of budgeted operation and maintenance expenses. The District has contributed $218,330 as its share of a three-month operating reserve.

In addition, the Master District is authorized to issue contract revenue bonds, sufficient to complete construction and acquisition of the regional water, sewer, drainage, park, and road facilities as needed to serve all districts in the service area. Each participating district is obligated to pay its pro rata share of the debt service requirements on the Master District's contract revenue bonds.

Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts in the past two fiscal years.

Note 9. Economic Dependency

The District's developer owns the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay property taxes.

Note 10. Contingencies

The developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, as applicable. The District's engineer has stated that current construction amounts are approximately $1,247,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 11. Deficit Fund Balance

At January 31, 2026, the District's general fund had a deficit fund balance of $437,377. The District anticipates that growth within the District will generate revenues sufficient to pay costs of operating the District.

Required Supplementary Information

Colton Municipal Utility District No. 2
Budgetary Comparison Schedule – General Fund
Year Ended January 31, 2026

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	$ 735,000	$ 735,000	$ 1,326	$ (733,674)
Water service	12,500	12,500	40,644	28,144
Sewer service	12,500	12,500	25,700	13,200
Regional water fee	-	-	998	998
Penalty and interest	2,500	2,500	1,588	(912)
Tap connection and inspection fees	449,250	449,250	794,626	345,376
Investment income	-	-	48	48
Other income	-	2,500	9,517	7,017
Total Revenues	1,211,750	1,214,250	874,447	(339,803)
Expenditures				
Service operations				
Purchased services	-	873,320	873,321	(1)
Professional fees	125,000	125,000	114,646	10,354
Contracted services	65,000	89,600	65,300	24,300
Repairs and maintenance	-	145,000	159,541	(14,541)
Other expenditures	35,400	42,700	40,655	2,045
Tap connections	221,250	221,250	379,317	(158,067)
Total Expenditures	446,650	1,496,870	1,632,780	(135,910)
Excess (Deficiency) of Revenues Over Expenditures	765,100	(282,620)	(758,333)	(475,713)
Other Financing Sources				
Developer advances received	-	600,000	343,000	(257,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	765,100	317,380	(415,333)	(732,713)
Fund Balance (Deficit), Beginning of Year	(22,044)	(22,044)	(22,044)	-
Fund Balance (Deficit), End of Year	$ 743,056	$ 295,336	$ (437,377)	$ (732,713)

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2026.

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

Supplementary Information

Colton Municipal Utility District No. 2
Other Schedules Included Within This Report
January 31, 2026

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

[X] Notes Required by the Water District Accounting Manual
See “Notes to Financial Statements,” Pages 10–20

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

[X] Schedule of Long-Term Debt Service Requirements by Years

[X] Changes in Long-Term Bonded Debt

[X] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund

[X] Board Members, Key Personnel, and Consultants

Colton Municipal Utility District No. 2
Schedule of Services and Rates
Year Ended January 31, 2026

1. Services provided by the District

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

X Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
___ Other _____

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	$ 22.00	7,000	N	$ 2.25	7,001 to 15,000
				$ 2.50	15,001 to 25,000
				$ 3.00	25,001 to No Limit
Wastewater:	$ 55.00	-	Y		
Conservation district fee:	$ 0.094	1,000	N	$ 0.094	1,001 to No Limit

Does the District employ winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage (including fees): Water $ 29.69 Wastewater $ 55.00

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	158	158	x1.0	158
1"	51	51	x2.5	128
1 1/2"	-	-	x5.0	-
2"	4	4	x8.0	32
3"	2	2	x15.0	30
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	215	215		348
Total wastewater	208	208	x1.0	208

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

Gallons pumped into the system:	12,676
Gallons billed to customers:	12,676
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*"ESFC" means equivalent single-family connections

Colton Municipal Utility District No. 2
Schedule of General Fund Expenditures
Year Ended January 31, 2026

Personnel (including benefits)			$ -
Professional Fees			
Auditing	$	15,100	
Legal		72,391	
Engineering		27,155	
Financial advisor		-	114,646
Purchased Services for Resale			
Bulk water and wastewater service purchases			873,321
Regional Water Authority			-
Contracted Services			
Bookkeeping		35,164	
General manager		-	
Appraisal district		3,198	
Tax collector		4,126	
Security		-	
Other contracted services		19,987	62,475
Utilities			-
Repairs and Maintenance			159,541
Administrative Expenditures			
Directors' fees		10,166	
Office supplies		2,576	
Insurance		3,069	
Other administrative expenditures		24,844	40,655
Capital Outlay			
Capitalized assets		-	
Expenditures not capitalized		-	-
Tap Connection Expenditures			379,317
Solid Waste Disposal			2,825
Fire Fighting			-
Parks and Recreation			-
Debt Service, Contractual Obligations			-
Total Expenditures			$ 1,632,780

Colton Municipal Utility District No. 2
Schedule of Temporary Investments
January 31, 2026

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Texas CLASS	3.83%	Demand	$ 501	$ -
Debt Service Fund				
Texas CLASS	3.83%	Demand	560,490	-
Capital Projects Fund				
Texas CLASS	3.83%	Demand	136,017	-
Totals			$ 697,008	$ -

Colton Municipal Utility District No. 2
Analysis of Taxes Levied and Receivable
Year Ended January 31, 2026

	Maintenance Taxes
Receivable, Beginning of Year	$ -
2025 Original Tax Levy	390,731
Additions and corrections	25,870
Adjusted tax levy	416,601
Current year tax collections	(262,492)
Receivable, End of Year	$ 154,109
Receivable, by Years	
2025	$ 154,109

	2025	2024
Property Valuations		
Land	$ 42,296,287	$ 2,802,681
Improvements	1,062,650	-
Personal property	-	-
Exemptions	(15,585,563)	(2,714,282)
Total Property Valuations	$ 27,773,374	$ 88,399
Tax Rates per $100 Valuation		
Maintenance tax rate*	$ 1.5000	1.5000
Tax Levy	$ 416,601	$ 1,326
Percent of Taxes Collected to Taxes Levied**	63%	100%

*Maximum tax rate approved by voters: $1.50 on May 6, 2023
**Calculated as taxes collected for a tax year divided by taxes levied for that tax year

Colton Municipal Utility District No. 2
Schedule of Long-Term Debt Service Requirements by Years
January 31, 2026

Due During Fiscal Years Ending January 31	Road Series 2025		
	Principal Due September 1	Interest Due March 1, September 1	Total
2027	$ -	$ 196,765	$ 196,765
2028	115,000	278,881	393,881
2029	120,000	274,281	394,281
2030	125,000	269,481	394,481
2031	130,000	264,482	394,482
2032	140,000	259,281	399,281
2033	145,000	253,681	398,681
2034	155,000	247,881	402,881
2035	160,000	241,294	401,294
2036	170,000	234,494	404,494
2037	180,000	227,269	407,269
2038	190,000	219,619	409,619
2039	200,000	211,068	411,068
2040	210,000	202,069	412,069
2041	220,000	192,619	412,619
2042	230,000	182,169	412,169
2043	245,000	171,244	416,244
2044	255,000	159,606	414,606
2045	270,000	147,494	417,494
2046	285,000	134,669	419,669
2047	300,000	121,131	421,131
2048	315,000	106,506	421,506
2049	330,000	91,150	421,150
2050	350,000	75,063	425,063
2051	370,000	58,000	428,000
2052	385,000	39,500	424,500
2053	405,000	20,250	425,250
Totals	$ 6,000,000	$ 4,879,947	$ 10,879,947

Colton Municipal Utility District No. 2
Changes in Long-Term Bonded Debt
Year Ended January 31, 2026

	Bond Issue Road Series 2025
Interest rates	4.00% to 5.00%
Dates interest payable	March 1/ September 1
Maturity dates	September 1, 2027/2052
Bonds outstanding, beginning of current year	$ -
Bonds sold during current year	6,000,000
Retirements, principal	-
Bonds outstanding, end of current year	$ 6,000,000
Interest paid during current year	$ -

Paying agent's name and address

Road Series 2025 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Bond authority	Water, Sewer, and Drainage Facilities Bonds	Park and Recreational Facilities Bonds	Road Facilities Bonds	Refunding Bonds
Amount authorized by voters	$ 112,985,000	$ 67,680,000	$ 172,350,000	$ 353,015,000
Amount issued	$ -	$ -	$ 6,000,000	$ -
Remaining to be issued	$ 112,985,000	$ 67,680,000	$ 166,350,000	$ 353,015,000

Debt service fund cash and temporary investment balances as of January 31, 2026:	$ 560,490
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 402,961

Colton Municipal Utility District No. 2
Comparative Schedule of Revenues and Expenditures – General Fund
Two Years Ended January 31,

	Amounts		Percent of Fund Total Revenues	
	2026	2025	2026	2025
General Fund				
Revenues				
Property taxes	$ 1,326	$ -	0.2 %	- %
Water service	40,644	-	4.6	-
Sewer service	25,700	-	2.9	-
Regional water fee	998	-	0.1	-
Penalty and interest	1,588	-	0.2	-
Tap connection and inspection fees	794,626	-	90.9	-
Investment income	48	-	0.0	-
Other income	9,517	170	1.1	100.0
Total Revenues	874,447	170	100.0	100.0
Expenditures				
Service operations				
Purchased services	873,321	-	99.9	-
Professional fees	114,646	95,719	13.1	-
Contracted services	65,300	20,652	7.5	-
Repairs and maintenance	159,541	-	18.2	-
Other expenditures	40,655	30,165	4.6	-
Tap connections	379,317	-	43.4	-
Total Expenditures	1,632,780	146,536	186.7	-
Deficiency of Revenues Over Expenditures	(758,333)	(146,366)	(86.7) %	100.0 %
Other Financing Sources				
Developer advances received	343,000	132,500		
Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(415,333)	(13,866)		
Fund Balance (Deficit), Beginning of Year	(22,044)	(8,178)		
Fund Balance (Deficit), End of Year	$ (437,377)	$ (22,044)		
Total Active Retail Water Connections	215	-		
Total Active Retail Wastewater Connections	208	-		

*Percentage not meaningful

Colton Municipal Utility District No. 2
Schedule of Revenues and Expenditures – Debt Service Fund
Year Ended January 31, 2026

	Amounts	Percent of Fund Total Revenues
Debt Service Fund		
Revenues		
Investment income	$ 2,727	100.0 %
Other Financing Sources		
General obligation bonds issued	557,763	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	560,490	
Fund Balance, Beginning of Year	-	
Fund Balance, End of Year	$ 560,490	

Colton Municipal Utility District No. 2
Board Members, Key Personnel, and Consultants
Year Ended January 31, 2026

Complete District mailing address:	Colton Municipal Utility District No. 2 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, TX 77027	
District business telephone number:	713.860.6400	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		October 23, 2024
Limit on fees of office that a director may receive during a fiscal year:		$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-End
Conor Joyce	Elected 05/24–05/28	$ 1,989	$ 397	President
Keith Faseler	Appointed 10/24–05/26	2,210	253	Vice President
Spencer Robinson	Elected 05/23–05/26	1,326	42	Secretary
Patrick Bullock	Elected 05/24–05/28	2,652	310	Assistant Vice President
Clayton Taylor	Elected 05/23–05/26	1,989	126	Assistant Secretary

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

Colton Municipal Utility District No. 2
Board Members, Key Personnel, and Consultants
Year Ended January 31, 2026 **(Continued)**

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	02/13/23	$ 80,488 166,007	General Counsel Bond Counsel
Assessments of the Southwest, Inc.	02/13/23	4,624	Tax Assessor/ Collector
Forvis Mazars, LLP	01/29/25	31,800	Auditor
LJA Engineering, Inc.	08/08/23	72,155	Engineer
Masterson Advisors LLC	02/13/23	123,188	Financial Advisor
Montgomery Central Appraisal District	Legislative Action	3,198	Appraiser
Municipal Accounts & Consulting, L.P.	02/13/23	41,367	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	05/19/23	-	Delinquent Tax Attorney
Si Environmental, LLC	09/19/23	573,209	Operator
Investment Officers			
Mark Burton and Ghia Lewis	05/19/23	N/A	Bookkeepers

APPENDIX C

Specimen Municipal Bond Insurance Policies

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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