OFFICIAL STATEMENT DATED OCTOBER 22, 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 are NOT designated as "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (AG Insured)..... "AA."
See "MUNICIPAL BOND INSURANCE" and "RATING."

$10,235,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 535
(A political subdivision of the State of Texas located within Harris County)

UNLIMITED TAX ROAD BONDS, SERIES 2026

Dated: December 1, 2026
Interest Accrues From: Date of Delivery

Due: September 1, as shown on inside cover

The $10,235,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds"), are obligations of Harris County Municipal Utility District No. 535 (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Harris County, Texas; the City of Houston, Texas; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are dated December 1, 2026 (the "Dated Date"), and will accrue interest from the date of delivery, which is expected to be on or about December 2, 2026 (the "Date of Delivery"), with interest payable March 1, 2027, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of $5,000 or any integral multiple thereof.

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

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" on inside cover.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY INC. ("AG").**

The Bonds are the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road facilities to serve the District (the "Road System"). The Bonds, when issued, will constitute valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS – Source of Payment."

Investment in the Bonds is subject to special risk factors as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "RISK FACTORS," before making an investment decision. See "RISK FACTORS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the initial purchaser of the Bonds (the "Initial Purchaser"), subject, among other things, to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about December 2, 2026.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS

$10,235,000 Unlimited Tax Road Bonds, Series 2026

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41431N (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41431N (b)
2028	$195,000	7.500%	3.750%	BB7	2041 (c)	$400,000	5.000%	4.930%	BQ4
2029	205,000	7.500%	3.800%	BC5	2042 (c)	425,000	5.000%	5.000%	BR2
2030	215,000	7.500%	3.900%	BD3	2043 (c)	445,000	5.000%	5.060%	BS0
2031	230,000	7.500%	4.000%	BE1	2044 (c)	470,000	5.125%	5.125%	BT8
2032 (c)	240,000	7.500%	4.100%	BF8	2045 (c)	500,000	5.125%	5.180%	BU5
2033 (c)	255,000	7.500%	4.200%	BG6	2046 (c)	530,000	5.125%	5.240%	BV3
2034 (c)	270,000	7.500%	4.300%	BH4	2047 (c)	560,000	5.125%	5.300%	BW1
2035 (c)	285,000	6.500%	4.400%	BJ0	2048 (c)	590,000	5.125%	5.340%	BX9
2036 (c)	300,000	5.000%	4.500%	BK7	2049 (c)	625,000	5.125%	5.370%	BY7
2037 (c)	320,000	5.000%	4.600%	BL5	2050 (c)	660,000	5.125%	5.400%	BZ4
2038 (c)	340,000	5.000%	4.700%	BM3	2051 (c)	700,000	5.250%	5.410%	CA8
2039 (c)	355,000	5.000%	4.800%	BN1	2052 (c)	740,000	5.250%	5.420%	CB6
2040 (c)	380,000	5.000%	4.870%	BP6					

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

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc, on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds.

(c) The Bonds maturing on September 1, 2032, and thereafter shall be subject to redemption and payment at the option of the District, in whole, or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP ("Bond Counsel") for further information.

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG 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 AG supplied by AG and presented under "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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

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 any purpose.

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APPENDIX B Specimen Municipal Bond Insurance Policy

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of Robert W. Baird & Co., Inc., (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 97.000000% of par, resulting in a net effective interest rate of 5.435527%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

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

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of 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 (the "SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration 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.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. ("AG") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets, and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates, and in the annuity reinsurance business through Assured Life Reinsurance Ltd. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Ratings ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On August 3, 2026, KBRA announced that it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 27, 2026, Moody's announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

On July 17, 2026, S&P announced that it had affirmed AG's financial strength rating of "AA" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

Capitalization of AG

At June 30, 2026:

- The policyholders' surplus of AG was approximately $3,088 million.
- The contingency reserve of AG was approximately $1,569 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately $2,411 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (filed by AGL with the SEC on February 27, 2026);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2026 (filed by AGL with the SEC on May 8, 2026); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2026 (filed by AGL with the SEC on August 7, 2026).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "MUNICIPAL BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG 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 AG supplied by AG and presented under the heading "MUNICIPAL BOND INSURANCE."

RATING

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P solely in reliance upon the issuance and delivery of the Policy by AG at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The District is not aware of any rating assigned to the Bonds other than the rating of S&P.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The District	Harris County Municipal Utility District No. 535 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."
The Bonds	The District is issuing $10,235,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds"). The Bonds are dated December 1, 2026, and mature on September 1 in the years and amounts set forth on the inside cover page hereof. Interest accrues from the date of delivery, which is expected to be on or about December 2, 2026 (the "Date of Delivery"), at the rates per annum set forth on the inside cover page hereof and is payable on March 1, 2027, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 for any one maturity. See "THE BONDS."
Redemption	The Bonds maturing on and after September 1, 2032, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2031, and on any date thereafter at a price of par plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any other political subdivision or entity other than the District. See "THE BONDS – Source of Payment."
Book-Entry-Only System	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
Payment Record	The Bonds are the second issuance of bonded indebtedness by the District. The District has never defaulted on the timely payment of debt service due on its bonded indebtedness.
Authority for Issuance	At an election held within the District on November 7, 2023 voters of the District authorized the District's issuance of: $295,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road

	System") and for the further purpose of refunding bonds issued by the District for the Road System; $425,000,00 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "Utility System") and for the further purpose of refunding bonds issued by the District for the Utility System; and $100,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for the further purpose of refunding bonds issued by District for parks and recreational facilities. The Bonds are issued pursuant to: (i) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; (ii) a resolution authorizing the issuance of the Bonds adopted by the Board of Directors of the District (the "Board") on the date of sale of the Bonds (the "Bond Resolution"); and (iii) the election held within the boundaries of the District as described above.
Outstanding Bonds	The District has previously issued one (1) series of unlimited tax bonds for the purpose of acquiring or constructing the Road System as follows: $8,155,000 Unlimited Tax Road Bonds, Series 2025. As of the Date of Delivery, $8,155,000 principal amount of such previously issued bonds will remain outstanding (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."
Use of Proceeds	A portion of the proceeds from the sale of the Bonds will be used to pay certain costs related to acquiring or constructing the Road System, as set out herein under the "THE BONDS – Use and Distribution of Bond Proceeds." Additionally, proceeds of the Bonds will be used to pay for engineering costs related to the financed facilities, developer interest, twelve (12) months of capitalized interest on the Bonds, and other costs associated with the issuance of the Bonds. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. See "THE BONDS – Use and Distribution of Bond Proceeds."
Municipal Bond Insurance	Assured Guaranty Inc. ("AG"). See "MUNICIPAL BOND INSURANCE."
Rating	S&P Global Ratings (AG Insured): "AA." See "RATING."
NOT Qualified Tax-Exempt Obligations	The Bonds are NOT designated "qualified tax-exempt obligations" for financial institutions.
Bond Counsel	Allen Boone Humphries Robinson LLP, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor	Cedar Creek Municipal Advisors LLC, Houston, Texas.

THE DISTRICT

Description — The District was created by order of the Texas Commission on Environmental Quality (the "TCEQ") dated March 31, 2015. At creation, the District totaled 549.64 acres. On July 28, 2023, approximately 47.62 acres were annexed into the District. On August 25, 2023, approximately 4.013 acres were excluded from the District. On July 26, 2024, approximately 318.47 acres were annexed into the District. On February 27, 2026, approximately 147.94 acres were annexed into the District. The District currently comprises approximately 1,059.66 total acres and is situated entirely within Harris County, Texas, and within the boundaries of Waller Independent School District. See "THE DISTRICT."

Location — The District is located in northwest Harris County, north of the City of Houston's city limits. The District is bisected by State Highway 99 and lies 1.6 miles north of State Highway 290. The District is located entirely within the extraterritorial jurisdiction of the City of Houston.

Principal Landowners/Developers — KL LB BUY 7 LLC, a Delaware limited liability company ("KLLB"), is the developer of approximately 161 acres in the District, being developed as Redbud, on which it has completed the development of 365 single-family lots on approximately 92.37 acres. KLLB currently owns approximately 128 vacant developed lots within the District. KLLB is a joint venture between Kennedy Lewis Land and Residential Advisors, and Taylor Morrison of Texas, Inc. ("Taylor Morrison "). KLLB is a single purpose entity formed for the purpose of developing the land it owns in the District. KLLB is a thinly capitalized limited liability company whose assets consist primarily of the land in the District and the receivables due from the District for development costs.

JDS Hopfe Rd LLC, a Texas limited liability company ("JDS Hopfe Rd"), is principal landowner of approximately 346 acres, being developed as Everly, on which it has completed development of 653 single-family lots on approximately 167 acres. Memorial Development Services, Inc, a Texas corporation, is managing the development. JDS Hopfe Rd is a single purpose entity formed for the purpose of developing the land it owns in the District. JDS Hopfe Rd is a thinly capitalized limited liability company whose assets consist primarily of the land in the District and the receivables due from the District for development costs. JDS Hopfe Rd currently owns approximately 248 acres and approximately 381 vacant developed lots within the District.

KLLB and JDS Hopfe Rd are collectively referred to herein as the "Developers." See "PRINCIPAL LANDOWNERS/DEVELOPERS."

Bauer-Hockley 550, LP, a Texas limited liability company ("BH 550"), is principal landowner of approximately 275 acres in the District, whose parent company is Titan Land Development, Inc., a Texas corporation, which has a land purchase option agreement with KLLB.

	Darvesh Investments LLC, a Texas limited liability company ("Darvesh"), is the principal landowner of approximately 109 acres in the District, whose parent company is Darvesh Investments, a Limited Liability Company, which has a land purchase option agreement with Alliance Industrial Partners, LLC.
Development within the District	Development in the District includes the single-family residential subdivisions of Redbud and Everly. To date, 365 single-family lots in the District have been developed within the following single-family residential subdivisions: Redbud, Sections 1, 2 4, and 5. Said subdivisions encompass approximately 92.37 total acres within the District. To date, 653 single-family lots in the District have been developed within the following single-family residential subdivisions: Everly, Sections 1, 2, 3 4, 5, 6, and 7. Said subdivisions encompass approximately 167.44 total acres within the District. As of October 1, 2026, the District included approximately 292 completed homes (approximately 258 occupied and 34 unoccupied homes), approximately 87 homes under construction and approximately 639 vacant, developed lots. The remainder of the lands within the District includes approximately 531.13 undeveloped but developable acres and approximately 268.72 undevelopable acres. See "DEVELOPMENT OF THE DISTRICT – Status of Development within the District."
Active Homebuilders	Homebuilders active in the District include: Drees Homes, Perry Homes, Taylor Morrison and Westin Homes. Prices of new homes being constructed in the District range from the high $375,000's to the $700,000's and range in size from approximately 1,500 to 3,400 square feet.

RISK FACTORS

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "RISK FACTORS," BEFORE MAKING AN INVESTMENT DECISION.

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SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2026 Taxable Assessed Valuation	$ 107,553,590	(a)
Estimate of Value as of August 1, 2026	$ 147,138,586	(b)
Direct Debt		
The Outstanding Bonds	$ 8,155,000	
The Bonds	$ 10,235,000	
Total	$ 18,390,000	
Estimated Overlapping Debt	$ 14,225,545	(c)
Total Direct and Estimated Overlapping Debt	$ 32,615,545	(c)
Direct Debt Ratios:		
As a Percentage of 2026 Taxable Assessed Valuation	17.10 %	
As a Percentage of Estimate of Value as of August 1, 2026	12.50 %	
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of 2026 Taxable Assessed Valuation	30.32 %	
As a Percentage of Estimate of Value as of August 1, 2026	22.17 %	
Road System Debt Service Fund Balance (as of September 25, 2026)	$ 323,466	(d)
Operating Fund Balance (as of September 25, 2026)	$ 419,494	(e)
2026 Tax Rate		
Road Debt Service	$ 0.80	
Utility Debt Service	$ 0.00	
Maintenance and Operations	$ 0.70	
Total	$ 1.50	
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2027–2052)	$ 1,272,880	(f)
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2051)	$ 1,351,725	(f)
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2027–2052)at 95% Tax Collections		
Based on 2026 Taxable Assessed Valuation	$ 1.25	
Based on Estimate of Value as of August 1, 2026	$ 0.92	
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2051) at 95% Tax Collections		
Based on 2026 Taxable Assessed Valuation	$ 1.33	
Based on Estimate of Value as of August 1, 2026	$ 0.97	

(a) Represents the taxable amount of the certified assessed valuation of taxable property in the District as of January 1, 2026, as provided by the Harris Central Appraisal District (the "Appraisal District"). Such amount includes $30,241,815 of uncertified assessed valuation of taxable property in the District as of January 1, 2026. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. This estimate reflects the addition of the taxable value from new construction within the District from January 1, 2026, to August 1, 2026. No taxes will be levied on this estimate until it is certified. See "TAX DATA" and "TAXING PROCEDURES."

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

(d) At the delivery of the Bonds, twelve (12) months of capitalized interest from the proceeds of the Bonds will be deposited into the Road System Debt Service Fund (herein defined) upon closing of the Bonds. Neither Texas law nor the Bond Resolution (herein defined) requires that District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System (herein defined).

(e) See "RISK FACTORS - Operating Funds."

(f) Requirement of debt service on the Outstanding Bonds (herein defined) and the Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

$10,235,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 535

UNLIMITED TAX ROAD BONDS

SERIES 2026

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 535 (the "District") of its $10,235,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to: (i) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; (ii) a resolution authorizing the issuance of the Bonds adopted by the Board of Directors of the District (the "Board") on the date of sale of the Bonds (the "Bond Resolution"); and (iii) the election held within the boundaries of the District.

There follows herein descriptions of the Bonds, the Developers (herein defined), the Bond Resolution, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel (herein defined) at 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs of duplication thereof. Certain capitalized terms used herein have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

RISK FACTORS

General

The Bonds, which are obligations of the District and not of the State of Texas; Harris County, Texas (the "County"); the City of Houston, Texas (the "City") or any political subdivision other than the District, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See "DEVELOPMENT OF THE DISTRICT," "TAX DATA," and "TAXING PROCEDURES."

Factors Affecting Taxable Values and Tax Payments

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

Competition*:* The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to the City of Houston, Texas, that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District.

The competitive position of the Developers in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

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

Dependence on Principal Taxpayers: There is a high concentration of ownership of taxable value in the District. The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt-service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," as of January 1, 2026, the District's principal taxpayers owned property located within the District the aggregate taxable assessed valuation of which comprised approximately 33.05% of the District's total assessed valuation. The Developers and their related entities collectively own approximately 18.53% of the District's 2026 Taxable Assessed Valuation. See "PRINCIPAL LANDOWNERS/DEVELOPERS."

In the event that the Developers, any other principal taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its interest and sinking fund. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2026 Taxable Assessed Valuation is $107,553,590, and the Estimate of Value as of August 1, 2026, is $147,138,586. See "TAX DATA."

After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds (herein defined) and the Bonds (2051) will be $1,351,725, and the average annual debt service requirement on the Outstanding Bonds and the Bonds (2027–2052) will be $1,272,880. Assuming no decrease to the District's 2026 Taxable Assessed Valuation, tax rates of $1.33 and $1.25 per $100 of taxable assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease to the District's Estimate of Value as of August 1, 2026, tax rates of $0.97 and $0.92 per $100 of taxable assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

Operating Funds

The District levied a 2026 maintenance tax of $0.70 per $100 of assessed valuation. The District's general fund balance on September 25, 2026 was $414,494. Attaining and maintaining a positive Operating Fund balance will depend upon (1) continued development, and (2) increased amounts of maintenance tax revenue. In the event that funds are not made available by the Developers, the District will be required to levy a maintenance tax at a rate sufficient (in combination with net revenues from the District's utility operations) to fund its operating expenses. Such a tax, when added to the District's debt service tax, may result in a total District tax

in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See "THE UTILITY SYSTEM – General Fund Operating Statement."

Vacant Developed Lots

As of October 1, 2026, approximately 639 developed lots within the District remained available for home construction. Failure of the Developers and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

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 Developers or homebuilders in the District to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developers or homebuilders.

Competitive Nature of Residential Housing Market

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

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 within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two (2) years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayer's

right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds ("Registered Owners") have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default, and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Marketability

The District has no understanding with the initial purchaser of the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds (other than the hold-the-offering-price rule restrictions described in the Official Notice of Sale) and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

At an election held within the District on November 7, 2023 voters of the District authorized the District's issuance of: $295,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System") and for the further purpose of refunding bonds issued by the District for the Road System; $425,000,00 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "Utility System") and for the further purpose of refunding bonds issued by the District for the Utility System; and $100,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for the further purpose of refunding bonds issued by District for parks and recreational facilities.

The Bonds represent the second series of bonds issued by the District for construction of the Road System. After issuance of the Bonds, the following total principal amounts of unlimited tax bonds, authorized at the bond election described above, will remain authorized but unissued: $276,610,000 for the Road System; $295,000,000 for the refunding of bonds issued for the Road System; $425,000,000 for the Utility System; $425,000,000 for the refunding of bonds issued for the Utility System; $100,000,000 for parks and recreational facilities; and $100,000,000 for the refunding of bonds issued by the District for parks and recreational facilities. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Resolution. See "THE BONDS – Issuance of Additional Debt."

According to the 2026 audit, following reimbursement to the Developers with the proceeds of the Bonds, the District will owe the Developers approximately $26,735,000 for their expenditures to construct the Utility System, parks and recreational facilities in the District, and the Road System.

Approval of the Bonds

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

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Potential Impact of Natural Disaster

The District is located near the Texas Gulf Coast and, as it has in the past, could be impacted by high winds and flooding caused by a hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rate. See "TAXING PRODECURES – Valuation of Property for Taxation."

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

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

The 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.

Changes in Tax Legislation

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

Cybersecurity

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

The 90th Texas Legislature

The regular session of the 90th Texas Legislature (the "Legislature") is scheduled to commence on January 12, 2027. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. Texas Governor Greg Abbott has identified on his agenda property tax relief as a legislative priority. The District cannot predict the likelihood of legislative property tax reform at the legislative level or the impacts therefrom, if implemented.

Bond Insurance Risk Factors

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

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

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond 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 bond

insurer and of the ratings on the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "MUNICIPAL BOND INSURANCE" and "RATING."

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

Neither the District or Initial Purchaser has made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond 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 bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATING" herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which is qualified in its entirety by reference to the Bond Resolution adopted by the Board. Copies of the Bond Resolution may be obtained from the District upon written request made to Bond Counsel.

The Bonds are dated December 1, 2026 (the "Dated Date"), and will accrue interest from the date of delivery, which is expected to be on or about December 2, 2026 (the "Date of Delivery"), with interest payable March 1, 2027, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully registered bonds maturing on September 1 of the years shown on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the Registered Owners at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and its book entry system (the "Book-Entry-Only System") has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District and the Financial Advisor cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants (herein defined), (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners (herein defined), or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such issue, 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" together with the Direct Participants, the "Participants"). DTC has a rating of AA+ by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue 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).

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or

Paying Agent/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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest 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 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 Book-Entry-Only System for transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in the 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 thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

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

Funds

The Bond Resolution confirms the District's fund for debt service on the Outstanding Bonds for the Road System, the Bonds, and any additional unlimited tax bonds issued by the District for the Road System (the "Road System Debt Service Fund"). Twelve (12) months of capitalized interest on the Bonds will be deposited from the proceeds from the sale of the Bonds into the Road System Debt Service Fund upon closing of the Bonds. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of owners of the Outstanding Bonds for the Road System, the Bonds, and any additional unlimited tax bonds issued by the District for the Road System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds issued for the Road System, the Bonds, and on any of the District's other duly authorized bonds issued for the Road System payable in whole or in part from taxes. Amounts deposited in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of any additional bonds issued for the Road System payable in whole or in part from taxes, any to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued for the Utility System.

Redemption Provisions

The Bonds maturing on September 1, 2032, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2031, or on any date thereafter. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of $5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Authority for Issuance

At an election held within the District on November 7, 2023 voters of the District authorized the District's issuance of: $295,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the further purpose of refunding bonds issued by the District for the Road System; $425,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the further purpose of refunding bonds issued by the District for the Utility System and $100,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District; and for the further purpose of refunding bonds issued by District for parks and recreational facilities.

The Bonds are issued pursuant to: (i) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; (ii) the Bond Resolution; and (iii) the election held within the boundaries of the District described above.

Outstanding Bonds

The District has previously issued one (1) series of unlimited tax bonds for the purpose of acquiring or constructing the Road System as follows: $8,155,000 Unlimited Tax Road Bonds, Series 2025. As of the Date of Delivery, $8,155,000 principal amount of such previously issued bonds will remain outstanding (the "Outstanding Bonds").

Source of Payment

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, and certain fees. Tax proceeds, after deduction for collection costs, will be placed in the Road System Debt Service Fund and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds for the Road System, and any additional bonds payable from taxes that may be issued for the Road System, and fees of the Paying Agent/Registrar.

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

Registration, Transfer and Exchange

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Dallas, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of $5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Issuance of Additional Debt

At an election held within the District on November 7, 2023 voters of the District authorized the District's issuance of: $295,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the further purpose of refunding bonds issued by the District for the Road System; $425,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing an additional Utility System and for the further purpose of refunding bonds issued by the District for the Utility System; and $100,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for the further purpose of refunding bonds issued by District for parks and recreational facilities.

The Bonds represent the second series of bonds issued by the District for construction of the Road System. After issuance of the Bonds, the following total principal amounts of unlimited tax bonds authorized at the bond election as described above will remain authorized but unissued: $276,610,000 for the Road System and for the refunding of bonds issued for the Road System; $425,000,000 for the Utility System and for the refunding of bonds issued for the Utility System; $100,000,000 for parks and recreational facilities and for the refunding of bonds issued by the District for parks and recreational facilities. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Resolution. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds for the Utility System or for parks and recreation, approved by the TCEQ).

According to the 2026 audit, following reimbursement to the Developers with the proceeds of the Bonds, the District will owe the Developers approximately $26,735,000 for their expenditures to construct the Utility System, parks and recreational facilities in the District, and the Road System.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan and bonds by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. The District has not considered preparation of a fire plan at this time.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District can issue park bonds payable from taxes, the following actions are required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District at the time of issuance; 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 more than three percent (3%) of the value of the taxable property in the District.

No Arbitrage

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

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction ("ETJ") of the City, the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement ("SPA") between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. The District does not currently have a SPA with the City.

If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Consolidation

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

Defeasance

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Road System Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments.

Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds.

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

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Use and Distribution of Bond Proceeds

A portion of the proceeds from the sale of the Bonds will be used to pay certain costs related to the construction of the Road System as shown below. Additionally, proceeds of the Bonds will be used to pay for engineering costs related to the financed facilities, developer interest, twelve (12) months of capitalized interest on the Bonds, and other costs associated with the issuance of the Bonds. Totals may not sum due to rounding.

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

Construction Costs	District's Share
A. Developer Contribution Items	
1. Water, Sanitary, Drainage and Paving Facilities in JDS Hopfe Road Sec 1, JDS Hopfe Road Sec 2, and JDS Hopfe Road Sec 3	$ 837,309
2. Water, Sanitary, Drainage and Paving Facilities for Hopfe Road, Botkins Road, and Recreation Center & Mason Road Paving	3,498,816
3. Water, Sanitary, Drainage and Paving Facilities for Everly Fields Boulevard Street Dedication Sec 1, Sec 2 & Sec 3 & Darvesh Drainage Channel & TxDOT Storm Outfalls	864,428
4. Water, Sanitary, Drainage, and Paving Facilities in Redbud Section 2	113,397
5. Paving Facilities in Redbud Sec 4	962,297
6. Paving Facilities in Redbud Sec 5	831,671
7. Engineering	1,019,432
Total Developer Items	$ 8,127,351
Total Construction Costs	**$ 8,127,351**
Non-Construction Costs	
A. Legal Fees	$ 244,700
B. Fiscal Agent Fees	197,863
C. Interest	
1. Capitalized Interest (12 Months)	564,794
2. Developer Interest	698,563
D. Bond Discount	307,050
E. Bond Issuance Expenses	36,461
F. Attorney General Fee (0.10% or $9,500 max)	9,500
G. Engineering Fee	25,000
H. Contingency (a)	23,718
Total Non-Construction Costs	**$ 2,107,649**
TOTAL BOND ISSUE REQUIREMENT	**$ 10,235,000**

(a) Represents the difference between the estimated and actual amount of capitalized interest.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses allowed by law. In the instance that actual costs exceed previously approved estimated amounts and contingencies, the issuance of additional bonds may be required.

THE DISTRICT

Authority

The District was created by order of the Texas Commission on Environmental Quality (the "TCEQ") dated March 31, 2015. At creation, the District totaled 549.64 acres. On July 28, 2023, approximately 47.62 acres were annexed into the District. On August 25, 2023, approximately 4.013 acres were excluded from the District. On July 26, 2024, approximately 318.47 acres were annexed into the District. On February 27, 2026, approximately 147.942 acres were annexed into the District. The District currently comprises approximately 1,059.66 total acres and is situated entirely within Harris County, Texas, and within the boundaries of Waller Independent School District.

The District also is authorized to construct, develop and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes. In addition, the District is authorized, upon TCEQ and voter approval, to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District construction and operation of the District's Utility System is subject to the regulatory jurisdiction of additional governmental agencies. See "THE UTILITY SYSTEM - Regulation."

Description

The District was created by order of the TCEQ dated March 31, 2015. The District comprises of approximately 1,059.66 total acres and is situated entirely within Harris County, Texas, and within the boundaries of Waller Independent School District. The District is located entirely within the extraterritorial jurisdiction of the City of Houston.

Management of the District

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

Name	Position	Term Expires May
Gregory Prioli	President	2028
Marcus Warren	Vice President	2030
J. Chase Oelkers	Secretary	2028
Brandon West	Assistant Secretary	2030
Justin Waggoner	Assistant Vice President	2030

Investment Policy

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

Consultants

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

Tax Assessor/Collector: The tax assessor/collector for the District is Bob Leared Interests Inc., Houston, Texas (the "Tax Assessor/Collector").

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

Auditor: The District engaged McGrath & Co., PLLC, to audit its financial statements for the fiscal year ended May 31, 2026. Said financial statements are attached hereto as "APPENDIX A."

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

Bond Counsel and General Counsel: The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the issuance and delivery of the Bonds. Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as general counsel to the District on matters other than the issuance of bonds. See "LEGAL MATTERS."

Disclosure Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, as disclosure counsel ("Disclosure Counsel") to the District in connection with the issuance of the Bonds. The fees to be paid Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Cedar Creek Municipal Advisors LLC is engaged as financial advisor to the District in connection with the issuance of the Bonds (the "Financial Advisor"). The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

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DEVELOPMENT OF THE DISTRICT

Status of Development within the District

Development in the District includes the single-family residential subdivisions of Redbud and Everly. To date, 365 single-family lots in the District have been developed within the following single-family residential subdivisions: Redbud, Sections 1, 2, 4, and 5. Said subdivisions encompass approximately 92.37 total acres within the District.

To date, 653 single-family lots in the District have been developed within the following single-family residential subdivisions: Everly, Sections 1, 2, 3, 4, 5, 6, and 7. Said subdivisions encompass approximately 167.44 total acres within the District. As of October 1, 2026, the District included approximately 292 completed homes (approximately 258 occupied and 34 unoccupied homes), approximately 83 homes under construction and approximately 424 vacant, developed lots. The remainder of the lands within the District includes approximately 531.13 undeveloped but developable acres and approximately 268.72 undevelopable acres.

The table below summarizes the status of development and land use within the District as of October 15, 2025.

Redbud	Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Lots
Section 1	37.34	143	132	0	11
Section 2	14.64	61	25	25	11
Section 4	22.89	108	34	21	53
Section 5	17.50	53	0	0	53
Subtotal	92.37	365	191	46	128
Everly					
Section 1	24.15	85	17	9	59
Section 2	25.05	107	37	17	53
Section 3	27.82	116	46	12	58
Section 4	26.16	114	1	3	110
Section 5	38.58	128	0	0	128
Section 6	4.99	12	0	0	12
Section 7	20.69	91	0	0	91
Subtotal	167.44	653	101	41	511
Developed	259.81				
Undevelopable	268.72				
Remaining Developable	531.13				
District Total	1,059.66				

Active Homebuilders

Homebuilders active in the District include: Drees Homes, Perry Homes, Taylor Morrison and Westin Homes. Prices of new homes being constructed in the District range from the high $375,000's to the $700,000's and range in size from approximately 1,500 to 3,400 square feet.

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PHOTOGRAPHS TAKEN IN THE DISTRICT

(October 2026)













PRINCIPAL LANDOWNERS/DEVELOPERS

Role of the Developer

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

The Developers

KL LB BUY 7 LLC, a Delaware limited liability company ("KLLB"), is the developer of approximately 161 acres in the District, being developed as Redbud, on which it has completed the development of 365 single-family lots on approximately 92.37 acres. KLLB currently owns approximately 128 vacant developed lots within the District. KLLB is a joint venture between Kennedy Lewis Land and Residential Advisors, and Taylor Morrison of Texas, Inc. ("Taylor Morrison "). KLLB is a single purpose entity formed for the purpose of developing the land it owns in the District. KLLB is a thinly capitalized limited liability company whose assets consist primarily of the land in the District and the receivables due from the District for development costs.

JDS Hopfe Rd LLC, a Texas limited liability company ("JDS Hopfe Rd"), is principal landowner of approximately 346 acres, being developed as Everly, on which it has completed development of 653 single-family lots on approximately 167.44 acres. Memorial Development Services, Inc, a Texas corporation, is managing the development. JDS Hopfe Rd is a single purpose entity formed for the purpose of developing the land it owns in the District. JDS Hopfe Rd is a thinly capitalized limited liability company whose assets consist primarily of the land in the District and the receivables due from the District for development costs. JDS Hopfe Rd currently owns approximately 248 acres and approximately 511 vacant developed lots within the District.

KLLB and JDS Hopfe Rd are collectively referred to herein as the "Developers."

Principal Landowners

Bauer-Hockley 550, LP, a Texas limited liability company ("BH 550"), is principal landowner of approximately 275 acres in the District, whose parent company is Titan Land Development, Inc., a Texas corporation, which has a land purchase option agreement with KLLB.

Darvesh Investments LLC, a Texas limited liability company ("Darvesh"), is the principal landowner of approximately 109 acres in the District, whose parent company is Darvesh Investments, a Limited Liability Company, which has a land purchase option agreement with Alliance Industrial Partners, LLC.

Developer Financing

According to JDS Hopfe Rd LLC, it closed on a development and construction loan with FC MPC Fund, LP (the "Loan"), which provides construction funding for the company's development activities. The Loan is, in part, secured by land, lot sale contracts, and assignment of reimbursements from the proceeds of bonds issued by the District. The total loan commitment of $64,136,239 is paid down over time with the proceeds from the sale of lots within the District as well as proceeds from District bond sales. According to JDS Hopfe Rd LLC, it is in compliance with all material terms and conditions of the Loan.

THE ROAD SYSTEM

The roads within the District vary in width in accordance with standards adopted by Harris County, but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District.

The Road System serves residents of the District by providing access to the major thoroughfares and collectors within Redbud, Everly and surrounding areas. The major thoroughfares and collectors serving the District include Bauer Hockley Road, Mason Road and Botkins Road. The District will finance, design and construct the Road System in phases as development progresses. The Road System will ultimately be owned, operated and maintained by Harris County as the phases are constructed and accepted by the County. The District does not intend to maintain or operate the roads once they are accepted by the County.

THE UTILITY SYSTEM

Regulation

Construction and operation of the water, sanitary sewer, and storm drainage system serving the District, as it now exists or as it 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 water and sanitary service serving the District. Construction of water, sanitary sewer, and storm drainage facilities is subject to the regulatory authority of the District and the County. The TCEQ also exercises regulatory jurisdiction over portions of the water and sanitary sewer facilities.

Source of Water Supply

Quadvest provides the District's water supply through retail service agreements with Taylor Morrison and JDS.

Quadvest owns and operates one water plant within Redbud which serves the two subdivisions (Redbud and Everly). The water plant consists of 2-1,600 gallon-per minute ("gpm") wells, two 15,000 gallon hydropneumatic tanks, 137,451-gallon and 309,264-gallon ground storage tanks and 4-1,250 gpm booster pumps. According to the Engineer, the one water plant is capable of serving development in the District.

Source of Wastewater Treatment

Quadvest owns and operates one wastewater treatment plant in the District which serves Redbud and Everly. Quadvest holds a Texas Commission on Environmental Quality ("TCEQ") approved wastewater discharge permit that has 600,000 gpd of permitted capacity. According to the Engineer, this is adequate to serve development in the District.

The District does not receive services from or share facilities with any other entity.

Pursuant to two separate Agreements for Wastewater Treatment Service (together, the "Agreement") between Quadvest, the Developers, and the District, Quadvest will provide wastewater treatment capacity to serve up to 2,100 equivalent single family connections ("ESFCs") in the District (the "Capacity Reservation").Under the terms of the Agreement, Quadvest is responsible for financing and constructing expansions of the existing wastewater treatment plant (the "Quadvest System") with sufficient capacity to fulfill the Capacity Reservation to provide wastewater service to the District. The expansions of the Quadvest System may be constructed in phases in order to be available as needed by the District in accordance with the District's build-out schedule. The District is responsible for financing and constructing the facilities to deliver wastewater service to customers within the District.

In exchange for expanding and operating the Quadvest System, Quadvest has received or will receive a payment from or on behalf of the District in the amount of $4,250,000. In addition, the District pays Quadvest amounts as set forth in the Agreement per 1,000 gallons of wastewater conveyed from the District to the Quadvest System.

Storm Water Drainage Facilities

Storm water drainage facilities within the District are subject to the regulatory authority of the Harris County Flood Control District and Harris County. Storm water runoff within the District is directed overland and along curb and gutter street systems to underground storm sewer systems outfalling into detention facilities and ultimately into Little Cypress Creek.

The Redbud storm sewer system outfalls into dry bottom drainage channels and a District maintained wet bottom detention facility before ultimately outfalling directly into Little Cypress Creek. The Everly storm sewer system outfalls into dry bottom drainage channels and a wet bottom detention facility before being conveyed to the Harris County Flood Control District Mason Basin Regional Detention Facility. The Mason Basin Regional Detention Facility ultimately outfalls to Little Cypress Creek.

100-Year Flood Plain

Approximately 139.00 acres of undevelopable land in the District lies within the 100-yr floodplain.

Approximately 0.26 Acres of land inside a landscape reserve of Redbud Sec 1 lies within the 100-yr floodplain, and approximately 3.9633 Acres of land within Redbud Sec 1 lies within the 500-yr floodplain.

Approximately 51.6 acres of the Darvesh property lies within the 100-year floodplain, 500-year floodplain, and the floodway. A locally approved Conditional Letter of Map Revision (CLOMR) is currently in review with FEMA to bring the current floodplain and floodway within banks.

Atlas 14

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

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General Fund Operating Statement

The following is a summary of the District's general fund activity for the last four (4) fiscal years. For the District's fiscal years which ended on and after May 31, 2025, and May 31, 2026, the below summary has been prepared by the Financial Advisor based upon information obtained from the District's audited financial statements. For the District's fiscal year ended May 31, 2023-2024, the below summary has been prepared by the District's bookkeeper. Reference is made to such statements for further and more complete information. See "APPENDIX A."

	Fiscal Year End May 31			
	2026	2025	2024 (a)	2023 (a)
Revenues				
Property taxes	$ 735,569	$ 211,890	$ -	$ -
Penalties and Interest	1,321	1,919	-	-
Investment Earnings	3,685	-	-	-
Total Revenues	$ 740,575	$ 213,809	$ -	$ -
Expenditures				
Operating and administrative				
Professional Fees	$ 188,767	$ 113,061	$ 115,454	$ 3,944
Contracted Services	73,770	26,471	12,045	-
Repairs & Maintenance	63,201	-	-	-
Administrative	43,330	37,249	22,093	6,490
Other	-	1,642	11,766	637
Total Expenditures	$ 369,068	$ 178,423	$ 161,358	$ 11,071
Revenues Over (Under) Expenditures	$ 371,507	$ 35,386	$ (161,358)	$ (11,071)
Other Financing Sources				
Developer Advances	$ 135,000	$ 20,000	$ 143,000	$ 20,000
Net Change in Fund Balance	$ 506,507	$ 55,386	$ (18,358)	$ 8,929
Beginning Fund Balance	$ 45,957	$ (9,429)	$ 8,929	$ -
Ending Fund Balance	$ 552,464	$ 45,957	$ (9,429)	$ 8,929

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

DISTRICT DEBT

General

2026 Taxable Assessed Valuation	$ 107,553,590	(a)
Estimate of Value as of August 1, 2026	$ 147,138,586	(b)
Direct Debt		
The Outstanding Bonds	$ 8,155,000	
The Bonds	$ 10,235,000	
Total	$ 18,390,000	
Estimated Overlapping Debt	$ 14,225,545	(c)
Total Direct and Estimated Overlapping Debt	$ 32,615,545	(c)
Direct Debt Ratios:		
As a Percentage of 2026 Taxable Assessed Valuation	17.10 %	
As a Percentage of Estimate of Value as of August 1, 2026	12.50 %	
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of 2026 Taxable Assessed Valuation	30.32 %	
As a Percentage of Estimate of Value as of August 1, 2026	22.17 %	
Road System Debt Service Fund Balance (as of September 25, 2026)	$ 323,466	(d)
Operating Fund Balance (as of September 25, 2026)	$ 419,494	(e)
2026 Tax Rate		
Road Debt Service	$ 0.80	
Utility Debt Service	$ 0.00	
Maintenance and Operations	$ 0.70	
Total	$ 1.50	
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2027–2052)	$ 1,272,880	(f)
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2051)	$ 1,351,725	(f)
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2027–2052)at 95% Tax Collections		
Based on 2026 Taxable Assessed Valuation	$ 1.25	
Based on Estimate of Value as of August 1, 2026	$ 0.92	
Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2051) at 95% Tax Collections		
Based on 2026 Taxable Assessed Valuation	$ 1.33	
Based on Estimate of Value as of August 1, 2026	$ 0.97	

(a) Represents the taxable amount of the certified assessed valuation of taxable property in the District as of January 1, 2026, as provided by the Harris Central Appraisal District (the "Appraisal District"). Such amount includes $30.241,815 of uncertified assessed valuation of taxable property in the District as of January 1, 2026. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. This estimate reflects the addition of the taxable value from new construction within the District from January 1, 2026, to August 1, 2026. No taxes will be levied on this estimate until it is certified. See "TAX DATA" and "TAXING PROCEDURES."

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

(d) At the delivery of the Bonds, twelve (12) months of capitalized interest from the proceeds of the Bonds will be deposited into the Road System Debt Service Fund upon closing of the Bonds. Neither Texas law nor the Bond Resolution requires that District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System.

(e) See "RISK FACTORS - Operating Funds."

(f) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

Debt Service Requirement Schedule

The following schedule sets forth the total debt service requirements of the District as of the Date of Delivery, plus the principal and interested requirements on the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	Plus: The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2027	$ 560,988	$ –	$ 422,026	$ 422,026	$ 983,014
2028	559,513	195,000	564,794	759,794	1,319,306
2029	557,363	205,000	550,169	755,169	1,312,531
2030	554,538	215,000	534,794	749,794	1,304,331
2031	551,038	230,000	518,669	748,669	1,299,706
2032	546,863	240,000	501,419	741,419	1,288,281
2033	542,013	255,000	483,419	738,419	1,280,431
2034	542,238	270,000	464,294	734,294	1,276,531
2035	542,038	285,000	444,044	729,044	1,271,081
2036	546,413	300,000	425,519	725,519	1,271,931
2037	550,150	320,000	410,519	730,519	1,280,669
2038	548,250	340,000	394,519	734,519	1,282,769
2039	550,925	355,000	377,519	732,519	1,283,444
2040	552,963	380,000	359,769	739,769	1,292,731
2041	559,363	400,000	340,769	740,769	1,300,131
2042	559,488	425,000	320,769	745,769	1,305,256
2043	563,956	445,000	299,519	744,519	1,308,475
2044	562,550	470,000	277,269	747,269	1,309,819
2045	565,000	500,000	253,181	753,181	1,318,181
2046	566,550	530,000	227,556	757,556	1,324,106
2047	572,200	560,000	200,394	760,394	1,332,594
2048	571,156	590,000	171,694	761,694	1,332,850
2049	574,188	625,000	141,456	766,456	1,340,644
2050	576,063	660,000	109,425	769,425	1,345,488
2051	576,125	700,000	75,600	775,600	1,351,725
2052	–	740,000	38,850	778,850	778,850
Total	$ 13,951,925	$ 10,235,000	$ 8,907,951	$19,142,951	$33,094,876

Average Annual Debt Service Requirements on the Outstanding Bonds and the Bonds (2027–2052) $1,272,880

Maximum Annual Debt Service Requirements on the Outstanding Bonds and the Bonds (2051) $1,351,725

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Direct and Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt August 31, 2026	Overlapping Debt Percent	Overlapping Debt Amount
Harris County	$3,080,611,581	0.02%	$ 522,402
Harris County Flood Control	1,034,900,000	0.02%	179,036
Port of Houston Authority	386,074,397	0.02%	61,628
Harris County Hospital District	1,644,825,000	0.02%	282,307
Harris County Department of Education	28,960,000	0.02%	522,402
Waller Independent School District	1,079,320,000	1.22%	13,175,650
Total Estimated Overlapping Debt			$ 14,225,545
Direct Debt (a)			$ 18,390,000
Total Direct and Estimated Overlapping Debt (a)			$ 32,615,545

(a) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

Ratios of Direct Debt (a):	
As a Percentage of 2026 Taxable Assessed Valuation	17.10 %
As a Percentage of Estimate of Value as of August 1, 2026	12.50 %
Ratios of Direct and Estimated Overlapping Debt (a):	
As a Percentage of 2026 Taxable Assessed Valuation	30.32 %
As a Percentage of Estimate of Value as of August 1, 2026	22.17 %

(a) Includes the Outstanding Bonds and the Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

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 the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; most individually owned automobiles; and intangible personal property. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of $5,000 to $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. 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 homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was

killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 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 assessor and collector 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. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, 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 that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property that are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law.

Tax Abatement

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, the County has not designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of 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 one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, 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 property in the Appraisal District at least once every three years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property

values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Tax Payment Installments after Disaster

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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

described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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 in the district, 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 the maintenance and operations tax rate that would impose 1.08 times the amount of maintenance and operations tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Property Tax Code, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the maintenance and operations tax rate that would impose 1.035 times the amount of maintenance and operations tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor or the President of the United States (the "President"), 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 maintenance and operations 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the maintenance and operations tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate the maintenance and operations tax rate that would impose 1.08 times the amount of maintenance and operations tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

The District

For the 2026 tax year, the District made the determination of its status as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the

debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES." In the Bond Resolution, the Board covenants to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. For the 2026 tax year, the District levied a total tax rate of $1.50 per $100 of assessed valuation composed of a tax rate of $0.80 per $100 of assessed valuation for payment of debt service on bonds issued for the Road System and a tax rate of $0.70 per $100 of assessed valuation for maintenance and operation purposes. See "THE BONDS" and "RISK FACTORS."

Tax Rate Limitation

Debt Service: ..... Unlimited (no legal limit as to rate or amount).
Maintenance and Operation – General: ..... $1.50 per $100 taxable assessed valuation.
Maintenance and Operation – Road: ..... $0.25 per $100 taxable assessed valuation.

Maintenance and Operations Taxes

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance and operations tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance and operations tax in an amount not to exceed $1.50 per $100 of assessed valuation. For the 2026 tax year, the District has levied a tax in the amount of $0.70 for maintenance and operations purposes. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. See "Tax Rate Distribution" below.

Road Maintenance and Operations Taxes

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's road improvements if such maintenance and operations tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance and operations tax in an amount not to exceed $0.25 per $100 of assessed valuation. For the 2026 tax year, the District has levied a tax in the amount of $0.80 for payment of debt service on bonds issued for the Road System.

Tax Exemption

As discussed in the section entitled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

Additional Penalties

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

Historical Tax Collections

The following table illustrates the tax collection history of the District for the 2023–2025 tax years. The 2023 tax year was the first tax year in which the District levied a tax rate.

Tax Year	Certified Taxable Value	Tax Rate	Adjusted Tax Levy	Collections as of 09/30	Current Year Ending 9/30	Collections 08/31/26
2023	$ 4,105,183	$ 1.50	$ 61,578	100.00%	2024	100.00%
2024	10,020,817	1.50	150,312	100.00%	2025	100.00%
2025	34,354,521	1.50	749,049	99.615%	2026	99.615%

Tax Rate Distribution

The following table sets out the components of the District's tax levy for each of the 2023–2026 tax year.

	2026	2025	2024	2023
Utility Debt Service	$0.00	$0.00	$0.00	$0.00
Road Debt Service	0.80	0.00	0.00	0.00
Maintenance & Operation	0.70	1.50	1.50	1.50
Total	$1.50	$1.50	$1.50	$1.50

Analysis of Tax Base

The following represents the types of property comprising the District's taxable assessed value from 2023–2026 tax years.

Type of Property	2026 Taxable Assessed Valuation (a)	2025 Taxable Assessed Valuation (a)	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation
Land	$ 50,752,533	$ 46,421,696	$ 25,724,099	$ 21,043,267
Improvements	35,198,930	16,835,137	1,107,039	277,890
Personal Property	935,027	428,293	366,760	0
Exemptions	(9,574,715)	(13,748,519)	(17,177,081)	(17,215,974)
Total	$ 77,311,775	$ 34,354,521	$ 10,020,817	$ 4,105,183

(a) This amount excludes $14,322,015 of uncertified value.

Principal Taxpayers

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

Top Taxpayer	Type of Property	Assessed Valuation 2026 Tax Roll	Percent of District 2026 Value
JDS HOPFE RD LLC (a)	Land & Improvement	$ 9,045,089	8.41%
PERRY HOMES LLC (b)	Land & Improvement	4,976,538	4.63%
KL LB BUY 7 LLC (a)	Land & Improvement	4,428,055	4.12%
VPTM BAUER HOCKLEY LB LLC (a)	Land & Improvement	4,271,077	3.97%
WESTIN HOMES & PROPERTIES (b)	Land & Improvement	3,552,869	3.30%
TAYLOR MORRISON OF TEXAS (a)(b)	Land & Improvement	3,446,349	3.20%
BAUER HOCKLEY 550 LP (a)	Land & Improvement	3,163,442	2.94%
DREES CUSTOM HOMES LP (b)	Land & Improvement	1,679,214	1.56%
HOMEOWNER	Land & Improvement	491,703	0.46%
HOMEOWNER	Land & Improvement	488,213	0.45%
Totals		$ 35,542,549	33.05%

(a) See "PRINCIPAL LANDOWNERS/DEVELOPERS."

(b) See "DEVELOPMENT OF THE DISTRICT – Active Homebuilders."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the District's 2026 Taxable Assessed Valuation ($107,553,590), and the Estimate of Value as of August 1, 2026 ($147,138,586).The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2027–2052)	$ 1,272,880
Debt Service Tax Rate of $1.25 on the 2026 Taxable Assessed Valuation produces	$ 1,277,199
Debt Service Tax Rate of $0.92 on the Estimate of Value as of August 1, 2026, produces	$ 1,285,991
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2051)	$ 1,351,725
Debt Service Tax Rate of $1.33 on the 2026 Taxable Assessed Valuation produces	$ 1,358,940
Debt Service Tax Rate of $0.97 on the Estimate of Value as of August 1, 2026, produces	$ 1,355,882

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Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes.

Set forth below is an estimation of all 2026 tax rates per $100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

Taxing Jurisdiction	2026 Tax Rate
Harris County	0.417500
Harris County Flood Control	0.052660
Port of Houston Authority	0.006030
Harris County Hospital District	0.195280
Harris County Department of Education	0.417500
Harris County Emergency Services District No. 21 (a)	0.100000
Harris County Emergency Services District No. 3 (a)	-
Waller Independent School District	1.052800
The District	1.500000
Total	$3.741770

(a) A homeowner can only be taxed by one Emergency Services District. Both Emergency Services District's levied $0.10 for the 2026 tax year.

LEGAL MATTERS

Legal Opinions

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

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "– Book-Entry-Only System" and "– Use and Distribution of Bond Proceeds"), "THE DISTRICT – Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional 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-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by the President or Vice President and Secretary or any Assistant Secretary of the Board, concurrently with delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX MATTERS

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

Tax Exemption

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

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

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

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the

terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

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

NOT Qualified Tax-Exempt Obligations

The Bonds are NOT designated as "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 MATTERS – Tax Exemption" and "TAX MATTERS – 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.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except for "Direct and Estimated Overlapping Debt Statement"), "TAX DATA," and in "APPENDIX A" – Financial Statements of the District. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2027. Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when and if the audit report becomes available.

The District's current fiscal year end is May 31. Accordingly, it must provide updated information by November 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB via EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the 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 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 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 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 SEC Rule 15e2-12. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

The Bonds are the second series of bonded indebtedness issued by the District. The District has complied in all material respects with its prior continuing disclosure agreement made in accordance with SEC Rule 15e2-12.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developers, the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Experts

The information contained in this Official Statement relating to engineering and to the description of the Road System and the Utility System, and, in particular, that engineering information included in the sections entitled "THE BONDS – Use and Distribution of Bond Proceeds," "THE DISTRICT – Description," "DEVELOPMENT OF THE DISTRICT – Status of Development within the District," "THE ROAD SYSTEM" and "THE UTILITY SYSTEM," has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

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

Certification as to Official Statement

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

Updating of Official Statement

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

[*Remainder of this page intentionally left blank.*]

CONCLUDING STATEMENT

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

These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 535 as of the date shown on the cover page hereof.

/s/ Gregory Prioli
President, Board of Directors
Harris County Municipal Utility District No. 535

ATTEST:

/s/ J. Chase Oelkers
Secretary, Board of Directors
Harris County Municipal Utility District No. 535

APPENDIX A

Financial Statements of the District

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 535

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

May 31, 2026

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McGRATH & CO., PLLC

Certified Public Accountants
2950 North Loop West, Suite 810
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 535
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 535 (the "District"), as of and for the year ended May 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Municipal Utility District No. 535, as of May 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Supplementary Information

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



Houston, Texas
September 25, 2026

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Management's Discussion and Analysis

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Using this Annual Report

This section of the financial report of Harris County Municipal Utility District No. 535 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2026. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at May 31, 2026, was negative $14,224,571. The District's net position is negative because the District incurs debt to construct public roads which it conveys to Harris County. A comparative summary of the District's overall financial position, as of May 31, 2026 and 2025, is as follows:

	2026	2025
Current and other assets	$ 1,329,791	$ 69,401
Capital assets	29,738,369	1,101,854
Total assets	31,068,160	1,171,255
Current liabilities	168,013	23,444
Long-term liabilities	45,124,718	1,310,132
Total liabilities	45,292,731	1,333,576
Net position		
Net investment in capital assets	(1,850,428)	(25,278)
Restricted	417,199	
Unrestricted	(12,791,342)	(137,043)
Total net position	$ (14,224,571)	$ (162,321)

The total net position of the District decreased during the current fiscal year by $14,062,250. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2026	2025
Revenues		
Property taxes, penalties and interest	$ 752,125	$ 213,809
Other	12,803	
Total revenues	764,928	213,809
Expenses		
Operating and administrative	379,363	178,423
Debt interest and fees	178,317	
Developer interest	403,119	
Debt issuance costs	656,345	
Depreciation	617,467	25,278
Total expenses	2,234,611	203,701
Change in net position before other item	(1,469,683)	10,108
Other item		
Transfers to other governments	(12,592,567)	
Change in net position	(14,062,250)	10,108
Net position, beginning of year	(162,321)	(172,429)
Net position, end of year	$ (14,224,571)	$ (162,321)

Financial Analysis of the District's Funds

The District's combined fund balances, as of May 31, 2026, were $1,245,376, which consists of $552,464 in the General Fund, $516,032 in the Debt Service Fund, and $176,880 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of May 31, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 593,974	$ 69,401
Total liabilities	$ 26,275	$ 23,444
Total deferred inflows	15,235	
Total fund balance	552,464	45,957
Total liabilities, deferred inflows and fund balance	$ 593,974	$ 69,401

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

	2026	2025
Total revenues	$ 740,575	$ 213,809
Total expenditures	(369,068)	(178,423)
Revenues over expenditures	371,507	35,386
Other changes in fund balance	135,000	20,000
Net change in fund balance	$ 506,507	$ 55,386

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.
- Developers in the District advance funds to the District as needed to pay operating and construction costs.

Debt Service Fund

The District issued bonded debt during the current fiscal year pursuant to a Bond Resolution adopted by the Board. As required by the Bond Resolution, a Debt Service Fund was established to account for the accumulation of financial resources restricted for debt service purposes. A summary of the financial position of the Debt Service Fund as of May 31, 2026, is as follows:

Total assets	$ 516,032
Total fund balance	$ 516,032

A summary of activities of the Debt Service Fund for the current fiscal year is as follows:

Total revenues	$ 9,035
Total expenditures	(79,484)
Revenues under expenditures	(70,449)
Other changes in fund balance	586,481
Net change in fund balance	$ 516,032

Capital Projects Fund

A Capital Projects Fund was established to account for the expenditure of proceeds from the issuance of the District's Series 2025 Unlimited Tax Road Bonds. A summary of the financial position of the Capital Projects Fund as of May 31, 2026, is as follows:

Total assets	$	222,285
Total liabilities	$	45,405
Total fund balance		176,880
Total liabilities and fund balance	$	222,285

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

Total revenues	$	83
Total expenditures		(8,201,732)
Revenues under expenditures		(8,201,649)
Other changes in fund balance		8,378,529
Net change in fund balance	$	176,880

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $424,311 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at May 31, 2026 and 2025, are summarized as follows:

	2026	2025
Capital assets not being depreciated		
Land and improvements	$ 5,483,822	$ 621,572
Construction in progress	660,792	
	6,144,614	621,572
Capital assets being depreciated		
Infrastructure	21,396,914	
Recreational facilities	406,615	
Landscaping improvements	2,432,971	505,560
	24,236,500	505,560
Less accumulated depreciation		
Infrastructure	(475,487)	
Recreational facilities	(20,331)	
Landscaping improvements	(146,927)	(25,278)
	(642,745)	(25,278)
Depreciable capital assets, net	23,593,755	480,282
Capital assets, net	$ 29,738,369	$ 1,101,854

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

- Bauer Hockley Road Extension No. 1, Redbud Section 1, and Redbud Drainage Improvements Phase 1 – utilities
- Everly Recreation Center – site work
- Hopfe Road, Botkins Road, and Recreation Center – utilities
- Hopfe Road, Section 1, 2, and 3 - utilities
- Redbud, Phase 2 – clearing and grubbing
- Redbud Section 2 and offsite waterline – utilities
- Redbud Section 4 – utilities
- Redbud, Section 4 - landscape improvements
- Redbud Recreation Center – landscaping improvements
- Rosewood West, Phase 1 - offsite clearing and grubbing, detention, and mass grading
- Rosewood West, Phase 1 – offsite water facilities and forcemain

The District's construction in progress is for the engineering fees of Mason Basin Extended Infrastructure.

Additionally, Harris County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developers

are reimbursed. For the year ended May 31, 2026, capital assets in the amount of $12,592,567 have been recorded as transfers to other governments in the government-wide statements.

Long-Term Debt and Related Liabilities

As of May 31, 2026, the District owes approximately $36,969,718 to developers for completed projects and operating and construction advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of $12,930,000 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developers are reimbursed.

During the current fiscal year, the District issued $8,155,000 in unlimited tax road bonds, all of which were outstanding as of the end of the fiscal year. The District did not have any bonded debt as of May 31, 2025.

At May 31, 2026, the District had $425,000,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing, and improving the water, sanitary sewer, and drainage systems within the District and refunding of such bonds; $100,000,000 for parks and recreational facilities and refunding of such bonds; and $286,845,000 for road improvements and refunding of such bonds.

Property Taxes

The District's property tax base increased approximately $27,375,000 for the 2026 tax year from $49,936,607 to $77,311,775. This increase was primarily due to new construction in the District.

Next Year's Budget

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

	2026 Actual	2027 Budget
Total revenues	$ 740,575	$ 750,000
Total expenditures	(369,068)	(380,500)
Revenues over expenditures	371,507	369,500
Other changes in fund balance	135,000	
Net change in fund balance	506,507	369,500
Beginning fund balance	45,957	552,464
Ending fund balance	$ 552,464	$ 921,964

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Basic Financial Statements

Harris County Municipal Utility District No. 535
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 29,721	$ -	$ 222,285	$ 252,006	$ -	$ 252,006
Investments	533,587	516,032		1,049,619		1,049,619
Taxes receivable	15,235			15,235		15,235
Internal receivables	2,500			2,500	(2,500)	
Other receivables	12,931			12,931		12,931
Capital assets not being depreciated					6,144,614	6,144,614
Capital assets, net					23,593,755	23,593,755
Total Assets	$ 593,974	$ 516,032	$ 222,285	$ 1,332,291	29,735,869	31,068,160
Liabilities						
Accounts payable	$ 26,275	$ -	$ 42,905	$ 69,180		69,180
Internal payables			2,500	2,500	(2,500)	
Accrued interest payable					98,833	98,833
Due to developers					36,969,718	36,969,718
Long-term debt						
Due after one year					8,155,000	8,155,000
Total Liabilities	26,275		45,405	71,680	45,221,051	45,292,731
Deferred Inflows of Resources						
Deferred property taxes	15,235			15,235	(15,235)	
Fund Balances/Net Position						
Fund Balances						
Restricted		516,032	176,880	692,912	(692,912)	
Unassigned	552,464			552,464	(552,464)	
Total Fund Balances	552,464	516,032	176,880	1,245,376	(1,245,376)	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 593,974	$ 516,032	$ 222,285	$ 1,332,291		
Net Position						
Net investment in capital assets					(1,850,428)	(1,850,428)
Restricted for debt service					417,199	417,199
Unrestricted					(12,791,342)	(12,791,342)
Total Net Position					$ (14,224,571)	$ (14,224,571)

See notes to basic financial statements.

Harris County Municipal Utility District No. 535
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended May 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 735,569	$ -	$ -	$ 735,569	$ 13,482	$ 749,051
Penalties and interest	1,321			1,321	1,753	3,074
Investment earnings	3,685	9,035	83	12,803		12,803
Total Revenues	740,575	9,035	83	749,693	15,235	764,928
Expenditures/Expenses						
Operating and administrative						
Professional fees	188,767		10,200	198,967		198,967
Contracted services	73,770			73,770		73,770
Repairs and maintenance	63,201			63,201		63,201
Administrative	43,330			43,330		43,330
Other			95	95		95
Capital outlay			7,131,973	7,131,973	(7,131,973)	
Debt service						
Interest and fees		79,484		79,484	98,833	178,317
Developer interest			403,119	403,119		403,119
Debt issuance costs			656,345	656,345		656,345
Depreciation					617,467	617,467
Total Expenditures/Expenses	369,068	79,484	8,201,732	8,650,284	(6,415,673)	2,234,611
Revenues Over (Under) Expenditures/ Expenses	371,507	(70,449)	(8,201,649)	(7,900,591)	6,430,908	(1,469,683)
Other Financing Sources						
Proceeds from sale of bonds		586,481	7,568,519	8,155,000	(8,155,000)	
Developer advances	135,000		810,010	945,010	(945,010)	
Other Items						
Transfers to other governments					(12,592,567)	(12,592,567)
Net Change in Fund Balances	506,507	516,032	176,880	1,199,419	(1,199,419)	
Change in Net Position					(14,062,250)	(14,062,250)
Fund Balance/Net Position						
Beginning of the year	45,957			45,957	(208,278)	(162,321)
End of the year	$ 552,464	$ 516,032	$ 176,880	$ 1,245,376	$ (15,469,947)	$ (14,224,571)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 535 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated March 31, 2015, and operates in accordance with Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution and with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on February 24, 2023, and the first bonds were issued on December 18, 2025.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or "major"

funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and developer advances. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. During the current fiscal year, financial resources included capitalized interest from the sale of bonds. Expenditures include costs associated with the payment of interest on the District's general long-term debt.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, drainage, park and recreational facilities, and road facilities.

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At May 31, 2026, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

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

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

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

Assets	Useful Life
Infrastructure	45 years
Recreational facilities	20 years
Landscaping improvements	20 years

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

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the

acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability. At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to Harris County and the value of capital assets for which the developers have not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		$ 1,245,376
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 30,381,114	
Less accumulated depreciation	(642,745)	
		29,738,369
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Accrued interest payable	(98,833)	
Due to developer	(36,969,718)	
Bonds payable	(8,155,000)	
		(45,223,551)
Deferred inflows in the fund statements consist of property taxes receivable and related penalties and interest that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		15,235
Total net position - governmental activities		$ (14,224,571)

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

Net change in fund balance - total governmental funds			$ 1,199,419
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.			15,235
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:			
Capital outlays	$ 7,131,973		
Transfers to other governments	(12,592,567)		
Depreciation expense	(617,467)		
			(6,078,061)
Financial reporting for long-term obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as liabilities are acquired and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:			
Issuance of long-term debt	(8,155,000)		
Developer advances	(945,010)		
Interest expense accrual	(98,833)		
			(9,198,843)
Change in net position of governmental activities			$ (14,062,250)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of May 31, 2026, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	General	$ 533,587		
	Debt Service	516,032		
Total		$ 1,049,619	AAAm	40 days

TexSTAR

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at May 31, 2026, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Capital Projects Fund	$ 2,500	Bond issuance costs paid by the General Fund

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended May 31, 2026, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 621,572	$ 4,862,250	$ 5,483,822
Construction in progress		660,792	660,792
	621,572	5,523,042	6,144,614
Capital assets being depreciated			
Infrastructure		21,396,914	21,396,914
Recreational facilities		406,615	406,615
Landscaping improvements	505,560	1,927,411	2,432,971
	505,560	23,730,940	24,236,500
Less accumulated depreciation			
Infrastructure		(475,487)	(475,487)
Recreational facilities		(20,331)	(20,331)
Landscaping improvements	(25,278)	(121,649)	(146,927)
	(25,278)	(617,467)	(642,745)
Subtotal depreciable capital assets, net	480,282	23,113,473	23,593,755
Capital assets, net	$ 1,101,854	$ 28,636,515	$ 29,738,369

Depreciation expense for the current fiscal year was $617,467.

Note 6 – Due to Developers

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

The District's developers have also advanced funds to the District for operating and construction expenses.

Changes in the estimated amounts due to developers during the fiscal year are as follows:

Due to developers, beginning of year	$	1,310,132
Developer reimbursements		(6,471,181)
Developer funded construction and adjustments		41,185,757
Operating advances from developers		135,000
Construction advances from developers		810,010
Due to developers, end of year	$	36,969,718

In addition, the District will owe the developers approximately $12,930,000, which is included in the schedule of contractual commitments below. The projects in this schedule are in varying stages of completion and, as previously noted, will be reported in the government-wide financial statements upon completion of construction. The exact amount due to the developers are not known until approved by the TCEQ and verified by the District's auditor.

		Contract Amount*
Boulevard Street Dedication Sections 1, 2 and 3, Darvesh Drainage Channel and TxDOT Storm - utilities	$	9,000,000
Redbud Section 5 - utilities		1,260,000
Redbud Section 5 - paving		1,180,000
Rosewood - Lift Station No. 1		1,490,000
	$	12,930,000

* Rounded to the nearest $10,000

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 8,155,000
Due within one year	$ -

The District's bonds payable at May 31, 2026, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2025 Road	$ 8,155,000	$ 8,155,000	4.25% - 6.75%	September 1, 2027 - 2051	September 1, March 1	September 1, 2030

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

At May 31, 2026, the District had authorized but unissued bonds in the amount of $425,000,000 for water, sewer, and drainage facilities and refunding of such bonds; $100,000,000 for park and recreational facilities and refunding of such bonds and $286,845,000 for road improvements and refunding such bonds.

On December 18, 2025, the District issued its $8,155,000 Series 2025 Unlimited Tax Road Bonds at a net effective interest rate of 4.790336%. Proceeds of the bonds were used (1) to reimburse developers for the following: the construction of capital assets within the District; engineering, and other costs associated with the construction of capital assets, (2) to pay developer interest at the net effective interest rate of the bonds, and (3) to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	$ -
Bonds issued	8,155,000
Bonds payable, end of year	$ 8,155,000

As of May 31, 2026, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2027	$ -	$ 390,988	$ 390,988
2028	170,000	385,250	555,250
2029	180,000	373,438	553,438
2030	190,000	360,950	550,950
2031	200,000	347,788	547,788
2032	210,000	333,950	543,950
2033	220,000	319,438	539,438
2034	230,000	307,125	537,125
2035	240,000	297,138	537,138
2036	250,000	286,725	536,725
2037	265,000	275,781	540,781
2038	280,000	264,200	544,200
2039	290,000	252,088	542,088
2040	305,000	239,444	544,444
2041	320,000	226,163	546,163
2042	340,000	211,925	551,925
2043	355,000	196,722	551,722
2044	375,000	180,753	555,753
2045	390,000	163,775	553,775
2046	410,000	145,775	555,775
2047	430,000	126,875	556,875
2048	455,000	106,677	561,677
2049	475,000	85,171	560,171
2050	500,000	62,624	562,624
2051	525,000	38,593	563,593
2052	550,000	13,062	563,062
	$ 8,155,000	$ 5,992,418	$ 14,147,418

Note 8 – Property Taxes

On November 7, 2023, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. In addition, the voters of the District authorized the District's Board of Directors to levy taxes annually for road maintenance limited to $0.25 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2026 fiscal year was financed through the 2025 tax levy, pursuant to which the District levied property taxes of $1.50 per $100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was $749,049 on the adjusted taxable value of $49,936,607.

Property taxes receivable, at May 31, 2026, consisted of the following:

Current year taxes receivable	$	13,480
Penalty and interest receivable		1,755
Property taxes receivable	$	15,235

Note 9 – Transfers to Other Governments

Harris County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Harris County, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developers are subsequently reimbursed. For the year ended May 31, 2026, the District recorded transfers to other governments in the amount of $12,592,567 for road facilities constructed by developers within the District.

Note 10 – Water and Wastewater Service Agreements

Quadvest, LP with Taylor Morrison of Texas, Inc.

On October 5, 2022, the District entered into an agreement (the "Agreement") with Taylor Morrison of Texas, Inc. ("Taylor") and Quadvest, LP ("Quadvest") for the provision of water and wastewater service to a 247-acre residential development in Harris County, Texas. Quadvest, a state-certificated retail public water and wastewater utility, will design, finance, construct, and own the water production facilities and wastewater treatment plant (collectively, the "Plants"). Taylor will design and construct the water distribution and wastewater collection system (the "Utility System Mains") and convey related sites, easements, and improvements and will make a $2,000,000 contribution in aid of construction for the Plants.

On September 27, 2024, the Agreement was amended to add the District as a party. The District will own the Utility System Mains for the life of the bonds issued to finance their acquisition and construction. During the bond term, Quadvest will have exclusive rights to operate and maintain the Utility System Mains. Upon the earlier of (i) retirement of the bonds, (ii) dissolution of the District, or (iii) termination of the Agreement, the District will convey the Utility System Mains to Quadvest at no cost. At that time, the District will not retain any ownership or residual interest in the assets. Quadvest will make no payments to the District in connection with the transfer.

Since the District will not retain a significant residual interest in the Utility System Mains, the assets will be removed from the District's capital asset records upon transfer to Quadvest. Quadvest is not required to make any payments to the District during the term of the arrangement. As of May 31, 2026, construction of the Utility System Mains was in progress, and no assets have yet been transferred to Quadvest.

Quadvest, LP with JDS Hopfe Rd, LLC

On May 31, 2024, the District entered into an agreement with JDS Hopfe Rd, LLC ("JDS") and Quadvest for water and wastewater service to a 300-acre residential development within the District, projected to contain approximately 1,100 equivalent single-family connections ("ESFCs"). The District will design and construct water and sewer mains, lift stations, and related improvements ("Utility System Mains") to connect the development to Quadvest's production and treatment facilities. The District will finance the Utility System Mains through bonds and will own them during the bond term. Quadvest will have the exclusive right to operate and maintain the Utility System Mains to serve customers.

Upon retirement of the bonds, the District will convey the Utility System Mains and related sites to Quadvest at no cost and will retain no residual interest. Quadvest will make no payments to the District in connection with the transfer. JDS will convey plant and lift station sites, utility and access easements, and groundwater rights to Quadvest and will make a $2,250,000 contribution in aid of construction for the Plants. Quadvest will construct and expand the Plants as needed and will provide retail service at rates approved by state regulatory agencies.

Since the District will not retain a significant residual interest, the Utility System Mains will be removed from the District's capital asset records upon transfer. Quadvest is not required to make any payments to the District during the term of the arrangement. As of May 31, 2026, construction of the Utility System Mains was in progress, and no assets have yet been transferred to Quadvest.

Note 11 – Risk Management

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

Note 12 – Concentration Risk

The District is currently dependent on its developers to finance the construction of infrastructure and to advance funds necessary to finance operating and administrative expenditures. The developers also own a significant portion of the undeveloped property within the District and are responsible for development of the tax base that will support future operations and debt service. As a result, the District is exposed to a concentration risk related to the developer. If the developers were unable to continue development activities or provide financial support, the District's ability to fund operations and complete infrastructure projects could be adversely affected.

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Required Supplementary Information

Harris County Municipal Utility District No. 535
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended May 31, 2026

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	$ 300,000	$ 735,569	$ 435,569
Penalties and interest		1,321	1,321
Investment earnings		3,685	3,685
Total Revenues	300,000	740,575	440,575
Expenditures			
Operating and administrative			
Professional fees	110,000	188,767	(78,767)
Contracted services	26,400	73,770	(47,370)
Repairs and maintenance	40,000	63,201	(23,201)
Administrative	36,404	43,330	(6,926)
Other	5,000		5,000
Total Expenditures	217,804	369,068	(151,264)
Revenues Over Expenditures	82,196	371,507	289,311
Other Financing Sources			
Developer advances		135,000	135,000
Net Change in Fund Balance	82,196	506,507	424,311
Fund Balance			
Beginning of the year	45,957	45,957	
End of the year	$ 128,153	$ 552,464	$ 424,311

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the fiscal year.

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Texas Supplementary Information

Harris County Municipal Utility District No. 535
TSI-1. Services and Rates
May 31, 2026

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

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

☐ Participates in joint venture, regional system and/or wastewater service

☒ Other (Specify): Water and sewer services are provided by Quadvest, LP

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:					to
Wastewater:					to
Surcharge:					to

District employs winter averaging for wastewater usage? ☐ Yes ☐ No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"			x 1.0	
1"			x 2.5	
1.5"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water				
Total Wastewater			x 1.0	

See accompanying auditor's report.

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

Gallons pumped into system:	N/A	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	N/A	N/A

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

   The District does not have Debt Service standby fees.

   The District does not have Operation and Maintenance standby fees.

5. Location of District (required for first audit year or when information changes,

Is the District located entirely within one county?	Yes [X] No [ ]
County(ies) in which the District is located:	Harris County
Is the District located within a city?	Entirely [ ] Partly [ ] Not at all [X]
City(ies) in which the District is located:	
Is the District located within a city's extra territorial jurisdiction (ETJ)?	Entirely [X] Partly [ ] Not at all [ ]
ETJs in which the District is located:	City of Houston
Are Board members appointed by an office outside the district?	Yes [ ] No [X]
If Yes, by whom?	

See accompanying auditor's report.

Harris County Municipal Utility District No. 535
TSI-2. General Fund Expenditures
For the Year Ended May 31, 2026

Professional fees		
Legal	$	122,848
Audit		15,000
Engineering		50,919
		188,767
Contracted services		
Bookkeeping		22,625
Tax assessor collector		8,530
Garbage collection		38,142
Appraisal district fees		4,473
		73,770
Repairs and maintenance		63,201
Administrative		
Directors fees		20,774
Printing and office supplies		2,858
Insurance		7,171
Other		12,527
		43,330
Total expenditures	$	369,068

See accompanying auditor's report.

Harris County Municipal Utility District No. 535
TSI-3. Investments
May 31, 2026

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexSTAR	Variable	N/A	$ 533,587
Debt Service			
TexSTAR	Variable	N/A	516,032
Total - All Funds			$ 1,049,619

See accompanying auditor's report.

Harris County Municipal Utility District No. 535
TSI-4. Taxes Levied and Receivable
May 31, 2026

	Maintenance Taxes
Taxes Receivable, Beginning of Year	$ -
2025 Original Tax Levy	401,211
Adjustments	347,838
Adjusted Tax Levy	749,049
Total to be accounted for	749,049
Tax collections:	
Current year	735,569
Taxes Receivable, End of Year	$ 13,480
Taxes Receivable, By Years	
2025	$ 13,480

	2025	2024	2023
Property Valuations:			
Land	$ 46,421,696	$ 25,724,099	$ 21,043,267
Improvements	16,835,137	1,107,039	277,890
Personal Property	428,293	366,760	
Exemptions	(13,748,519)	(17,177,081)	(17,215,974)
Total Property Valuations	$ 49,936,607	$ 10,020,817	$ 4,105,183
Tax Rates per $100 Valuation:			
Maintenance tax rates	$ 1.50	$ 1.50	$ 1.50
Adjusted Tax Levy:	$ 749,049	$ 150,312	$ 61,578
Percentage of Taxes Collected to Taxes Levied ***	98.20%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on November 7, 2023
** Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on November 7, 2023
*** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditor's report.

Harris County Municipal Utility District No. 535
TSI-5. Long-Term Debt Service Requirements
Series 2025 Road--by Years
May 31, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ -	$ 390,988	$ 390,988
2028	170,000	385,250	555,250
2029	180,000	373,438	553,438
2030	190,000	360,950	550,950
2031	200,000	347,788	547,788
2032	210,000	333,950	543,950
2033	220,000	319,438	539,438
2034	230,000	307,125	537,125
2035	240,000	297,138	537,138
2036	250,000	286,725	536,725
2037	265,000	275,781	540,781
2038	280,000	264,200	544,200
2039	290,000	252,088	542,088
2040	305,000	239,444	544,444
2041	320,000	226,163	546,163
2042	340,000	211,925	551,925
2043	355,000	196,722	551,722
2044	375,000	180,753	555,753
2045	390,000	163,775	553,775
2046	410,000	145,775	555,775
2047	430,000	126,875	556,875
2048	455,000	106,677	561,677
2049	475,000	85,171	560,171
2050	500,000	62,624	562,624
2051	525,000	38,593	563,593
2052	550,000	13,062	563,062
	$ 8,155,000	$ 5,992,418	$ 14,147,418

See accompanying auditor's report.

Harris County Municipal Utility District No. 535
TSI-6. Change in Long-Term Bonded Debt
May 31, 2026

	Bond Issue
	Series 2025 Road
Interest rate	4.25% - 6.75%
Dates interest payable	3/1 ; 9/1
Maturity dates	9/1/27 - 9/1/51
Beginning bonds outstanding	$ -
Bonds issued	8,155,000
Bonds retired	
Ending bonds outstanding	$ 8,155,000
Interest paid during fiscal year	$ 79,284
Paying agent's name and city	
All Series	BOKF, N.A., Dallas, Texas

Bond Authority:	Water, Sewer, Drainage and Refunding Bonds	Recreational Facilities and Refunding Bonds	Road Facilities and Refunding Bonds
Amount Authorized by Voters	$ 425,000,000	$ 100,000,000	$ 295,000,000
Amount Issued			(8,155,000)
Remaining To Be Issued	$ 425,000,000	$ 100,000,000	$ 286,845,000

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

Debt Service Fund cash and investments balance as of May 31, 2026:	$ 516,032
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 544,131

See accompanying auditor's report.

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Harris County Municipal Utility District No. 535
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Four Fiscal Years

	Amounts			
	2026	2025	2024**	2023**
Revenues				
Property taxes	$ 735,569	$ 211,890	$ -	$ -
Penalties and interest	1,321	1,919		
Investment earnings	3,685			
Total Revenues	740,575	213,809		
Expenditures				
Operating and administrative				
Professional fees	188,767	113,061	115,454	3,944
Contracted services	73,770	26,471	12,045	
Repairs and maintenance	63,201			
Administrative	43,330	37,249	22,093	6,490
Other		1,642	11,766	637
Total Expenditures	369,068	178,423	161,358	11,071
Revenues Over (Under) Expenditures	371,507	35,386	(161,358)	(11,071)
Other Financing Sources				
Developer advances	135,000	20,000	143,000	20,000
Net Change in Fund Balance	506,507	55,386	(18,358)	8,929
Fund Balance, Beginning of the year	45,957	(9,429)	8,929	
End of the year	$ 552,464	$ 45,957	$ (9,429)	$ 8,929

*Percentage is negligible
**Unaudited

See accompanying auditor's report.

Percent of Fund Total Revenues			
2026	2025	2024**	2023**
100%	99%	- %	- %
*	1%		
*			
100%	100%	-	-
25%	53%	-	-
10%	12%	-	
9%			
6%	17%	-	-
	1%	-	-
50%	83%	-	-
50%	17%	- %	- %

Harris County Municipal Utility District No. 535
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Current Fiscal Year

	Amounts	Percent of Fund Total Revenues
	2026	2026
Revenues		
Investment earnings	$ 9,035	100%
Expenditures		
Interest and fees	79,484	880%
Revenues Under Expenditures	(70,449)	(780%)
Other Financing Sources		
Proceeds from sale of bonds	586,481	
Net Change in Fund Balance	516,032	
Fund Balance, Beginning of the year		
End of the year	$ 516,032	

*Percentage is negligible

See accompanying auditor's report.

Harris County Municipal Utility District No. 535
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 2026

Complete District Mailing Address:	3200 Southwest Freeway, Suite 2400, Houston, TX 77027
District Business Telephone Number:	(713)860-6400
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 22, 2026
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Gregory Prioli	05/24 - 05/28	$ 2,652	$ 66	President
Marc Warren	05/26 - 05/30	5,304	749	Vice President
J Chase Oelkers	05/24 - 05/28	4,057	363	Secretary
Justin Waggoner	05/26 - 05/30	4,862	2,842	Assistant Vice President
Brandon West	05/26 - 05/30	4,420	3,397	Assistant Secretary
Consultants		Amounts Paid		
Allen Boone Humphries Robinson LLP	02/23			Attorney
General legal fees		$ 135,996		
Bond counsel		221,255		
Myrtle Cruz, Inc.	04/23	27,931		Bookkeeper
Bob Leared Interests	04/23	6,000		Tax Collector
Harris Central Appraisal District	Legislation	4,473		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	10/23			Delinquent Tax Attorney
Quiddity Engineering, LLC	04/23	587,932		Engineer
McGrath & Co., PLLC	07/25	24,600		Auditor
Cedar Creek Munucipal Advisors, LLC	04/26			Financial Advisor
Robert W. Baird & Co., Inc.	04/23	165,652		Former Financial Advisor
KGA/Deforest Design, LLC	05/23			Landscape Architect

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

See accompanying auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy

ASSURED GUARANTY®

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, 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 Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AG. 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 AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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 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 AG 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AG 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 AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019 (212) 974-0100

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