

OFFICIAL STATEMENT DATED SEPTEMBER 25, 2024

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

S&P Global Ratings (BAM Insured) "AA"

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 255

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

\$4,450,000
Unlimited Tax Road Bonds
Series 2024

Dated: October 1, 2024

Interest Accrues From: Date of Delivery

Due: September 1, as shown on inside cover

The \$4,450,000 Fort Bend County Municipal Utility District No. 255 Unlimited Tax Road Bonds, Series 2024 (the "Bonds"), are obligations of Fort Bend County Municipal Utility District No. 255 (the "District") and are not obligations of the State of Texas; Fort Bend County, Texas; 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; Fort Bend County, Texas; 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.

The Bonds are dated October 1, 2024, and mature on September 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about October 23, 2024) (the "Date of Delivery"), with interest payable on March 1, 2025, and each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of stated maturity or prior redemption. Principal of the Bonds is payable to the registered owners of the Bonds (the "Registered Owners") at, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment at the stated maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date. The Bonds will be issued only in fully registered form in the denomination of \$5,000 of principal amount, 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 will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System."

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

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



The Bonds are the first series of bonds issued by the District out of an aggregate of \$190,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing road facilities to serve the District (the "Road System") and for the further purpose of refunding such bonds. The voters of the District have also authorized the issuance of an aggregate of \$323,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the "Utility System") and for the further purpose of refunding such bonds. In addition, the voters of the District have authorized the issuance of an aggregate of \$103,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System") and for the further purpose of refunding such bonds. Following the issuance of the Bonds, \$185,550,000 principal amount of unlimited tax bonds for the Road System; \$323,500,000 principal amount of unlimited tax bonds for the Utility System; and \$103,000,000 principal amount of unlimited tax bonds for the Park System will remain authorized and unissued. All refunding authorizations remain unissued. See "THE BONDS – Authority for Issuance."

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. See "THE BONDS – Source of Payment." The Bonds are subject to special investment risks described herein. See "RISK FACTORS."

The Bonds are offered, when, as and if issued by the District and accepted by the Initial Purchaser (herein defined), subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about October 23, 2024.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$4,450,000 Unlimited Tax Road Bonds, Series 2024

\$3,705,000 Serial Bonds

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 34687J (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 34687J (b)
2026	\$ 95,000	6.500%	3.000%	AA5	***	***	***	***	***
2027	100,000	6.500%	3.000%	AB3	2040 (c)	\$185,000	4.000%	4.050%	AQ0
2028	105,000	6.500%	3.000%	AC1	***	***	***	***	***
2029	110,000	6.500%	3.050%	AD9	2043 (c)	215,000	4.000%	4.110%	AT4
2030	115,000	6.500%	3.100%	AE7	2044 (c)	220,000	4.000%	4.120%	AU1
2031 (c)	120,000	6.500%	3.100%	AF4	2045 (c)	235,000	4.000%	4.140%	AV9
2032 (c)	125,000	4.000%	3.400%	AG2	2046 (c)	245,000	4.000%	4.160%	AW7
2033 (c)	135,000	4.000%	3.500%	AH0	2047 (c)	255,000	4.000%	4.180%	AX5
2034 (c)	140,000	4.000%	3.600%	AJ6	2048 (c)	270,000	4.000%	4.200%	AY3
2035 (c)	145,000	4.000%	3.650%	AK3	2049 (c)	280,000	4.000%	4.210%	AZ0
2036 (c)	155,000	4.000%	3.700%	AL1	2050 (c)	295,000	4.000%	4.220%	BA4
2037 (c)	160,000	4.000%	3.800%	AM9					

\$745,000 Term Bonds

\$345,000 Term Bond Due September 1, 2039 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 34687J AP2 (b)

\$400,000 Term Bond Due September 1, 2042 (c)(d), Interest Rate: 4.000% (Price: \$98.738) (a), CUSIP No. 34687J AS6 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). 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) Bonds maturing on September 1, 2031, 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, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

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.

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

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

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

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

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

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT	1	Future Debt.....	12
SALE AND DISTRIBUTION OF THE BONDS.....	3	Continuing Compliance with Certain Covenants	13
Award of the Bonds	3	Environmental Regulations.....	13
Prices and Marketability.....	3	Approval of the Bonds	15
Securities Laws.....	3	Changes in Tax Legislation.....	15
MUNICIPAL BOND INSURANCE	3	Bond Insurance Risk Factors	15
Bond Insurance Policy.....	3	THE BONDS	16
Build America Mutual Assurance Company	3	General	16
RATING	4	Book-Entry-Only System	16
OFFICIAL STATEMENT SUMMARY.....	5	Redemption of the Bonds	17
INTRODUCTION.....	9	Successor Paying Agent/Registrar	18
RISK FACTORS.....	9	Registration, Transfer and Exchange	18
General.....	9	Mutilated, Lost, Stolen or Destroyed Bonds	18
Factors Affecting Taxable Values and Tax Payments ...	9	Authority for Issuance	19
Vacant Developed Lots.....	10	Issuance of Additional Debt.....	19
Potential Impact of Natural Disaster	10	Source of Payment.....	19
Special Flood Type Risks	10	Funds.....	19
National Weather Service Atlas Rainfall Study	11	Annexation.....	20
Potential Effects of Oil Price Volatility on the		Consolidation.....	20
Houston Area.....	11	No Arbitrage.....	20
Competitive Nature of Residential Housing Market...	11	Defeasance	20
Operating Funds.....	11	Legal Investment and Eligibility to Secure Public	
Tax Collection Limitations.....	11	Funds in Texas.....	21
Registered Owners' Remedies and Bankruptcy		Registered Owners' Remedies.....	21
Limitations.....	12	Use and Distribution of Proceeds of the Bonds.....	22
Marketability	12	THE DISTRICT	23

Authority	23	Tax Rate Limitation.....	38
Description	23	Maintenance and Operations Tax	38
Management of the District.....	23	Additional Penalties.....	38
Investment Policy	23	Tax Rate Calculations	38
Consultants.....	23	Estimated Overlapping Taxes.....	39
DEVELOPMENT OF THE DISTRICT.....	25	Historical Tax Collections.....	39
Status of Development within the District.....	25	Tax Rate Distribution	39
Homebuilders within the District.....	25	Assessed Taxable Valuation Summary	40
THE DEVELOPER.....	25	Principal Taxpayers	40
Role of the Developer.....	25	LEGAL MATTERS	40
TPHTM 1464 LLC.....	26	Legal Opinions.....	40
Taylor Morrison of Texas, Inc.....	26	No-Litigation Certificate.....	41
Tri Pointe Homes Texas, Inc.	26	No Material Adverse Change.....	41
Development Financing	27	TAX MATTERS.....	41
THE SYSTEM.....	27	Tax Accounting Treatment of Original Issue Discount	
Regulation.....	27	Bonds.....	42
Water, Sanitary Sewer and Drainage System	27	Qualified Tax-Exempt Obligations	42
100 Year Flood Plain	27	CONTINUING DISCLOSURE OF INFORMATION	43
THE ROAD SYSTEM	28	Annual Reports	43
AERIAL PHOTOGRAPH OF THE DISTRICT	29	Event Notices	43
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....	30	Availability of Information from EMMA.....	44
DISTRICT DEBT.....	31	Limitations and Amendments	44
Debt Service Requirement Schedule	31	Compliance with Prior Undertakings	44
Bonded Indebtedness	32	OFFICIAL STATEMENT	44
Estimated Direct and Overlapping Debt Statement....	33	General	44
Debt Ratios	33	Experts.....	44
TAXING PROCEDURES	33	Certification as to Official Statement.....	45
Authority to Levy Taxes.....	33	Updating of Official Statement.....	45
Property Tax Code and County-Wide Appraisal		CONCLUDING STATEMENT.....	45
District.....	33		
Property Subject to Taxation by the District.....	34	APPENDIX A: FINANCIAL STATEMENTS OF THE	
Tax Abatement.....	35	DISTRICT	
Valuation of Property for Taxation	35	APPENDIX B: SPECIMEN MUNICIPAL BOND	
Tax Payment Installments after Disaster	36	INSURANCE POLICY	
District and Taxpayer Remedies	36		
Levy and Collection of Taxes.....	36		
Rollback of Operation and Maintenance Tax Rate.....	36		
District's Rights in the Event of Tax Delinquencies....	37		
TAX DATA.....	38		
General	38		

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" at a price of 97.000000% of the par value thereof, which resulted in a net effective interest rate of 4.284845%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

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

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 THIS OFFERING, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, BAM will issue a Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as "APPENDIX B."

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

Build America Mutual Assurance Company

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

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P,

including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2024, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$232.7 million, and \$253.3 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

RATING

The Bonds will receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the Policy. 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 discussed above.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- The District Fort Bend County Municipal Utility District No. 255 (the "District"), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See "THE DISTRICT."

- The Bonds..... The District's \$4,450,000 Unlimited Tax Road Bonds, Series 2024 (the "Bonds"), are dated October 1, 2024, and mature on September 1 in the years and in the principal amounts as shown on the inside cover page hereof. Interest on the Bonds accrues from the initial date of delivery (on or about October 23, 2024) (the "Date of Delivery"), with interest payable on March 1, 2025, and each September 1 and March 1 thereafter until the earlier of stated maturity or prior redemption. See "THE BONDS."

- Redemption of the Bonds..... The Bonds that mature on and after September 1, 2031, are subject to redemption at the option of the District, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."

The Bonds maturing on September 1, 2026, through September 1, 2037, both inclusive, September 1, 2040, and September 1, 2043, through September 1, 2050, are serial bonds. The Bonds maturing on September 1 in the years 2039 and 2042 are term bonds (the "Term Bonds") and are subject to certain mandatory sinking fund redemption provisions as set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

- 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 (herein 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."

- Authority for Issuance..... At an election held within the District on November 7, 2023, voters of the District authorized the District's issuance of a total of \$190,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities to serve the District (the "Road System") and for the further purpose of refunding such bonds; \$323,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the "Utility System") and for the further purpose of refunding such bonds; and \$103,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System") and for the further purpose of refunding such bonds. The Bonds represent the District's first series of bonds to be issued for the purpose of constructing or acquiring the Road System. Following the issuance of the Bonds, \$185,550,000 principal amount of unlimited tax bonds for the Road System; \$323,500,000 principal amount of unlimited tax bonds for the Utility System; and \$103,000,000 principal amount of unlimited tax bonds for the Park System will remain authorized and unissued. All refunding authorizations remain unissued.

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) an election held within the District on November 7, 2023.

Source of Payment	The Bonds are payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Houston, Texas or any entity other than the District. See “THE BONDS – Source of Payment.” The District is authorized to levy separate taxes to pay debt service on bonds issued for the Utility System and the Park System and to pay debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount.
Payment Record.....	The Bonds are the first issuance of bonded indebtedness by the District.
Use of Proceeds of the Bonds	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 herein under “THE BONDS – Use and Distribution of Proceeds of the Bonds.” Additionally, proceeds of the Bonds will be used to pay for engineering costs related to the financed facilities, developer interest, eighteen (18) months of capitalized interest on the Bonds, and other costs associated with the issuance of the Bonds. See “THE BONDS – Use and Distribution of Proceeds of the Bonds.”
Qualified Tax-Exempt Obligations	The District has designated the Bonds as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”
Municipal Bond Insurance	Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.”
Rating	S&P Global Ratings (BAM Insured): “AA.” See “RATING.”
Bond Counsel	Allen Boone Humphries Robinson LLP, Houston, Texas.
Disclosure Counsel.....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.

THE DISTRICT

Description.....	The District is located in Fort Bend County, Texas, approximately 21 miles southwest of the City of Houston, Texas (the “City”). The District is located south of Beechnut Road, west of FM Road 1464, east of Harlem Road and north of Madden Road. The District was created on October 27, 2022, by order of the Texas Commission on Environmental Quality (the “TCEQ”) as a municipal utility district under Article XVI, Section 59 of the Texas Constitution and operates under Chapters 49 and 54 of the Texas Water Code, as amended. The District was originally 440.49 acres when created, but on July 10, 2023, the District excluded 30.38 acres. Currently, the District consists of approximately 410.11 acres and is located wholly within the extraterritorial jurisdiction of the City of Houston, Texas. See “THE DISTRICT.”
The Developer.....	The developer of land within the District is TPHTM 1464 LLC, a Delaware limited liability company (“TPHTM” or the “Developer”). TPHTM is a joint-venture created by Taylor Morrison of Texas, Inc., a subsidiary of Taylor Morrison Home Corporation, a Delaware corporation, (“Taylor Morrison”), and Tri Pointe Homes Texas Inc., a subsidiary of Tri Pointe Homes, Inc., a Delaware corporation, (“Tri Pointe”), for the sole purpose of purchasing land within the District for the purpose of holding such land and delivering finished lots to Taylor Morrison and Tri Pointe for home construction pursuant to a takedown schedule agreed to by the parties. TPHTM is a thinly

capitalized, single purpose entity whose assets consist primarily of the land it owns within the District and the receivables due from the District for development costs.

To date, TPHTM has developed approximately 104 acres (349 lots) within the District as Trillium, Sections 1-6, and currently owns approximately 192 remaining undeveloped but developable acres, approximately 68 acres under development within the District and approximately 45 acres which are undevelopable. Taylor Morrison and Tri Pointe are the partnering entities of TPHTM and currently the only active homebuilders within the District.

Development within the District The District is being developed as a single-family residential community known as Trillium. To date, approximately 104 acres within the District have been developed as 349 single-family lots in Trillium, Sections 1 - 6. As of August 1, 2024, development within the District consisted of approximately 90 completed homes (approximately 72 occupied, 12 unoccupied, and 6 model homes), approximately 143 homes under construction, and approximately 116 vacant, developed lots. The remainder of the District’s total acres consists of approximately 45.50 undevelopable acres, approximately 67.96 acres under construction and approximately 192.43 acres remaining for future development. See “THE DEVELOPER,” “DEVELOPMENT OF THE DISTRICT,” and “THE DISTRICT.”

Homebuilders Within the District Tri Pointe and Taylor Morrison are the only active homebuilders in the District. Prices of new homes being constructed in the District range from approximately \$389,990 to approximately \$701,990 with home square footage ranging from approximately 1,700 square feet to approximately 3,300 square feet. See “DEVELOPMENT OF THE DISTRICT – Homebuilders within the District.”

RISK FACTORS

THE DISTRICT’S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON.

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

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2024 Assessed Taxable Valuation	\$ 22,051,081	(a)
Estimated Taxable Valuation as of August 1, 2024	\$ 67,748,994	(b)
Direct Debt:		
The Bonds	\$ 4,450,000	
Total	\$ 4,450,000	
Estimated Overlapping Debt	\$ 248,243	(c)
Total Direct and Estimated Overlapping Debt	\$ 4,698,243	(c)
Direct Debt Ratios:		
As a percentage of 2024 Assessed Taxable Valuation	20.18	%
As a percentage of Estimated Taxable Valuation as of August 1, 2024	6.57	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2024 Assessed Taxable Valuation	21.31	%
As a percentage of Estimated Taxable Valuation as of August 1, 2024	6.93	%
Road Debt Service Fund (as of delivery of the Bonds)	\$ 291,188	(d)
Operating Fund Balance (as of August 28, 2024)	\$ 206,957	(e)
Capital Projects Fund Balance (as of August 28, 2024)	\$ -	
2024 Tax Rate per \$100 of Assessed Taxable Valuation		
Utility Debt Service	\$ 0.00	
Road Debt Service	\$ 0.00	
Maintenance and Operations	\$ 1.25	
Total	\$ 1.25	
Average Annual Debt Service Requirement (2025-2050)	\$ 285,158	(f)
Maximum Annual Debt Service Requirement (2050)	\$ 306,800	(f)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Average Annual Debt Service Requirement (2025-2050) at 95% Tax Collections:		
Based on the 2024 Assessed Taxable Valuation	\$ 1.37	
Based on the Estimated Taxable Valuation as of August 1, 2024	\$ 0.45	
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Maximum Annual Debt Service Requirement (2050) at 95% Tax Collections:		
Based on the 2024 Assessed Taxable Valuation	\$ 1.47	
Based on the Estimated Taxable Valuation as of August 1, 2024	\$ 0.48	
Single-Family Homes (including 143 under construction) as of August 1, 2024		233 (g)

-
- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). This amount includes \$3,219,972 of uncertified value, which represents 80% of the total uncertified value provided by the Appraisal District which is the estimated minimum amount of uncertified value that will ultimately be certified. See "TAX DATA - Assessed Taxable Valuation Summary" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for information purposes only. Includes new construction within the District, from January 1, 2024, to August 1, 2024. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (d) Upon closing and delivery of the Bonds, eighteen (18) months of capitalized interest will be deposited into the Road Debt Service Fund (herein defined). Neither Texas law nor the Bond Resolution (herein defined) require that the District maintain any particular sum in the Road Debt Service Fund. Monies in the Road Debt Service Fund cannot be used 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 Bonds. See "DISTRICT DEBT - Debt Service Requirement Schedule."
- (g) Of the 90 homes completed as of August 1, 2024, approximately 72 homes were occupied.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 255

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

\$4,450,000
Unlimited Tax Road Bonds
Series 2024

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 255 (the "District") of its \$4,450,000 Unlimited Tax Road Bonds, Series 2024 (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) an election held within the District on November 7, 2023. See "THE BONDS – Authority for Issuance" and "THE DISTRICT."

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

There follow in this Official Statement descriptions of the Bonds, the Bond Resolution, the Developer (defined herein) and certain information about the District and its development and 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 Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, upon payment of the costs of duplication therefor.

RISK FACTORS

General

The Bonds, which are obligations of the District and not of the State of Texas (the "State"), Fort Bend 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 rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

The Developer: There is no commitment by or legal requirement of the Developer or any other landowner to 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 land owner'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," "THE DEVELOPER" and "TAX DATA – Principal Taxpayers."

Dependence on Principal Taxpayers: 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," the District's principal taxpayers in 2024 owned property located within the District the aggregate assessed valuation of which

comprised approximately 100.00% of the District's total 2024 Certified Assessed Valuation. The Developer represents \$3,582,428 or approximately 19.02% of the 2024 Taxable Assessed Valuation. Taylor Morrisson and Tri Pointe (each defined herein) represent a combined total of \$14,262,659 or approximately 75.74% of the 2024 Taxable Assessed Valuation. In the event that the Developer, the homebuilders, 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 construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The taxable assessed valuation as of January 1, 2024, of all taxable property located within the District is \$22,051,081 and the estimate of value as of August 1, 2024, is \$67,748,994. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement on the Bonds (2050) is \$306,800, and the average annual debt service requirement on the Bonds (2025-2050) is \$285,158. Assuming no decrease to the District's taxable assessed valuation as of January 1, 2024, debt service tax rates of \$1.47 and \$1.37 per \$100 of 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 from the estimate of value as of August 1, 2024, debt service tax rates of \$0.48 and \$0.45 per \$100 of 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. See "DISTRICT DEBT – Debt Service Requirement Schedule" and "TAX DATA – Tax Rate Calculations."

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. In 2024, the District levied a total tax rate of \$1.25 per \$100 taxable assessed valuation composed of a tax of \$1.25 per \$100 of taxable assessed valuation for maintenance and operations.

Vacant Developed Lots

As of August 1, 2024, approximately 116 developed lots within the District remained available for construction. Failure of the Developer 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.

Potential Impact of Natural Disaster

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

Special 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.

National Weather Service Atlas Rainfall Study

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.

Potential Effects of Oil Price Volatility on the Houston Area

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

Competitive Nature of Residential Housing Market

The housing industry in the Houston area is very competitive, and the District can give no assurance that the building programs which are planned by the Developer will be continued or completed. The respective competitive position of the Developer and the homebuilder listed herein and any other developer 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.

Operating Funds

The District's sources of revenue to pay its operating expenses include water and sewer revenues, advances from the Developer, proceeds from bond issues, and maintenance and operations tax proceeds. The District anticipates levying a 2024 maintenance and operations tax at the rate of \$1.25 per \$100 of assessed valuation. The District's unaudited Operating Fund balance as of August 28, 2024, was \$206,957. Maintaining a positive Operating Fund balance will depend upon (1) continued development, and (2) increased amounts of water and sewer revenue and maintenance and operations tax revenue. In the event that funds are not made available by the Developer, the District may be required to levy a maintenance and operations tax at a rate sufficient to fund its operating expenses. Such a 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 ROAD SYSTEM."

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 six months for commercial property and two years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901–946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debt; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain approval of the Texas Commission on Environmental Quality (the “TCEQ”) prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District’s plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full ; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner’s claim against the District.

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

Marketability

The District has no understanding (other than the initial reoffering yields) with any purchaser of the Bonds regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds 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 a total of \$190,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities to serve the District (the “Road System”) and for the further purpose of refunding such bonds; \$323,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the “Utility System”) and for the further purpose of refunding such bonds; and \$103,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the “Park System”) and for the further purpose of refunding such bonds. The Bonds represent the District’s first series of bonds to be issued for the purpose of constructing or acquiring the Road System. Following the issuance of the Bonds, \$185,550,000 principal amount of unlimited tax bonds for the Road System; \$323,500,000 principal amount of unlimited tax bonds for the Utility System; and \$103,000,000 principal amount of unlimited tax bonds for the Park System

will remain authorized and unissued. All refunding authorizations remain unissued. The principal amount of park bonds sold by the District is limited to one percent (1%) of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not more than three percent (3%) of the value of the taxable property in the District. Currently, the District is developing parks using surplus operating funds.

The District also has the right to issue certain other additional bonds and other obligations, as described in the Bond Resolution. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

After the reimbursement to the Developer from the proceeds of the Bonds, the District will owe the Developer approximately \$44,580,000 for expenditures to construct the Utility System, the Road System and the Park System. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS – Issuance of Additional Debt."

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 January 24, 2019. 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.

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.

Changes in Tax Legislation

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

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the 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 District which is recovered by the District 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 bond 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 nor the Initial Purchaser have 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 description is qualified in its entirety by reference to the Bond Resolution. A copy of the Bond Resolution may be obtained from the District upon written request made to the District's Bond Counsel, Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The Bonds are dated October 1, 2024, and accrue interest from the date of initial delivery (on or about October 23, 2024) (the "Date of Delivery") with interest payable March 1, 2025, and 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 under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. Principal of the Bonds will be payable to the registered owners (the "Registered Owners") at maturity or redemption upon presentation at the principal payment office of the paying agent/registrars, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable 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 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's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual 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 Securities, 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 Securities 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 Securities 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 system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

Redemption of the Bonds

Optional Redemption

The Bonds maturing on September 1, 2031, 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, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the 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.

Mandatory Redemption

The Bonds maturing on September 1 in the years 2039 and 2042 are term bonds (the “Term Bonds”), and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), and in the principal amount set forth in the following schedule:

\$345,000 Term Bond Maturing on September 1, 2039

Mandatory Redemption Date	Principal Amount
September 1, 2038	\$ 170,000
September 1, 2039 (Maturity)	\$ 175,000

\$400,000 Term Bond Maturing on September 1, 2042

Mandatory Redemption Date	Principal Amount
September 1, 2041	\$ 195,000
September 1, 2042 (Maturity)	\$ 205,000

On or before thirty (30) days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form), the Term Bonds or portions of the Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of the Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

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.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. 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. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See “Book-Entry-Only System” herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

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 a total of \$190,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the further purpose of refunding such bonds; \$323,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the further purpose of refunding such bonds; and \$103,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the further purpose of refunding such bonds. The Bonds represent the District's first series of bonds to be issued for the purpose of constructing or acquiring the Road System. Following the issuance of the Bonds, \$185,550,000 principal amount of unlimited tax bonds for the Road System; \$323,500,000 principal amount of unlimited tax bonds for the Utility System; and \$103,000,000 principal amount of unlimited tax bonds for the Park System will remain authorized and unissued.

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) an election held within the District on November 7, 2023.

Issuance of Additional Debt

The District may issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created. The Bonds constitute the first series of unlimited tax bonds issued by the District for the Road System. Voters in the District have authorized a total of \$190,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for the purpose of refunding such bonds. Additionally, voters in the District have authorized a total of \$323,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for the purpose of refunding such bonds. Additionally, voters in the District have authorized a total of \$103,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the purpose of refunding such bonds. Following the issuance of the Bonds, \$185,550,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$323,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; and \$103,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System, will remain authorized and unissued. All refunding authorizations remain unissued. The District's issuance of bonds for the purpose of acquiring or constructing the Road System, including the Bonds, is not subject to approval by the TCEQ.

Following reimbursement to the Developer with the proceeds of the Bonds, the District will owe the Developer approximately \$44,580,000 for the expenditures to develop the District.

The District is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. The principal amount of park bonds sold by the District is limited to 1% of the District's taxable assessed valuation, however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not more than 3% of the value of the taxable property in the District. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer (herein defined), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing utility facilities, and road improvements and to finance the extension of water, wastewater, and storm drainage facilities and services and road improvements to serve the remaining undeveloped land within the District. See "DEVELOPMENT OF THE DISTRICT," "THE SYSTEM," "THE ROAD SYSTEM," and "RISK FACTORS – Future Debt."

Source of Payment

The Bonds are payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Houston, Texas; or any entity other than the District. See "THE BONDS – Source of Payment." The District is authorized to levy separate taxes to pay debt service on bonds issued for the Utility System and the Park System and to pay debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount.

Funds

The Bond Resolution creates the District's fund for debt service on the Bonds, and any additional unlimited tax bonds issued by the District for the Road System (the "Road Debt Service Fund"). Eighteen (18) 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 Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, and any additional unlimited tax bonds issued by the District 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 Bonds, and any of the District's other duly authorized bonds issued for the Road System payable in whole or in part from taxes. Amounts of deposit in the Road Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, and any additional bonds issued for the Road System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Road Debt Service Fund may not be used to pay debt service on bonds issued for the Utility System.

Annexation

The District lies within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"). Under Texas law, property within the extraterritorial jurisdiction of the City may be annexed by the City without the consent of the District, subject to the observance of and compliance by the City with various requirements of Chapter 43, Texas Local Government Code, as amended. This includes the requirement that the City either have landowner consent or hold an election within the District to approve the annexation. If annexation by the City does occur, the District would be abolished within ninety (90) days after annexation. When the District is abolished, the City must assume the assets, functions and obligations of the District including the Bonds. No representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur.

Consolidation

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one or more other districts, although no consolidation is presently contemplated by 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.

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners (hereinafter defined) 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.

Use and Distribution of Proceeds of the Bonds

Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor. 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, eighteen (18) 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.

CONSTRUCTION COSTS	District's Share
A. Project Construction Items	
1. Paving Improvements for Trillium Section 1	\$ 761,422
2. Paving Improvements for Trillium Section 2	903,937
3. Paving Improvements for Trillium Bend Lane	361,089
B. Engineering Related Fees	
1. Paving Improvements for Trillium Section 1	115,992
2. Paving Improvements for Trillium Section 2	136,396
3. Paving Improvements for Trillium Bend Lane	52,500
C. Land Costs	
1. Land Costs for Trillium Section 1	498,058
2. Land Costs for Trillium Section 2	649,730
3. Land Costs for Trillium Bend Lane	<u>135,890</u>
TOTAL CONSTRUCTION COSTS	\$ 3,615,014
NON-CONSTRUCTION COSTS	
A. Legal Fees	\$ 126,250
B. Fiscal Agent Fees	89,000
C. Interest	
1. Developer Interest	118,322
2. Capitalized Interest (18 Months)	291,188
D. Bond Discount	133,500
E. Bond Issuance Expenses	28,402
F. Attorney General Fee (0.10% or \$9,500 max.)	4,450
G. Application Preparation Costs	18,000
H. Contingency (a)	<u>25,874</u>
TOTAL NON-CONSTRUCTION COSTS	\$ 834,986
TOTAL BOND ISSUE REQUIREMENT	<u>\$ 4,450,000</u>

(a) Represents the difference between the estimated and actual amounts of Capitalized Interest.

The construction costs described above were compiled by the Engineer, based, in some cases, on the estimated costs of facilities. Non-construction costs are based upon either contract amounts or estimates. In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for roads or improvements in aid thereof. However, the District cannot and does not guarantee the sufficiency of such bonds for such purposes.

THE DISTRICT

Authority

The District was created on October 27, 2022, by the order of the TCEQ as a municipal utility district under Article XVI, Section 59 of the Texas Constitution and operates under Chapters 49 and 54 of the Texas Water Code, as amended. The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water and the construction of roads and related facilities.

The District also is authorized to construct, develop and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes, and to construct roads. 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 SYSTEM - Regulation."

Description

The District is located in Fort Bend County, Texas, approximately 21 miles southwest of the City. The District is located south of Beechnut Road, west of FM Road 1464, east of Harlem Road and north of Madden Road. The District was created on October 27, 2022, by order of the TCEQ as a municipal utility district under Article XVI, Section 59 of the Texas Constitution and operates under Chapters 49 and 54 of the Texas Water Code, as amended. The District was originally 440.49 acres when created, but on July 10, 2023, the District excluded 30.38 acres. Currently, the District consists of approximately 410.11 acres and is located wholly within the extraterritorial jurisdiction of the City of Houston.

Management of the District

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

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Stefania Langley	President	2026
Robert Karl	Vice President	2028
Elizabeth "Violet" Mak	Secretary	2026
Lonnie Leal	Assistant Secretary	2028
Jacob Duffy	Assistant Vice President	2028

Investment Policy

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") 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 utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

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

Bookkeeper: The District's bookkeeper is Municipal Accounts & Consulting, L.P.

Utility System Operator: The District's water and sewer system is operated by Municipal District Services LLC.

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audited financial statements are filed annually with the TCEQ. The financial statements of the District as of July 31, 2023, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC independent auditors, as stated in their report appearing herein. A copy of the District's July 31, 2023, audited financial statements is included as "APPENDIX A."

Engineer: The District's engineer is Pape Dawson Engineers Inc. (the "Engineer").

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

Disclosure Counsel: 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: Robert W. Baird & Co. Incorporated serves as financial advisor ("Financial Advisor") to the District in connection with the issuance of the Bonds. 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

The District is being developed as a single-family residential community known as Trillium. To date, approximately 104 acres within the District have been developed as 349 single-family lots in Trillium, Sections 1 - 6. As of August 1, 2024, development within the District consisted of approximately 90 completed homes (approximately 72 occupied, 12 unoccupied, and 6 model homes), approximately 143 homes under construction, and approximately 116 vacant, developed lots. The remainder of the District’s total acres consists of approximately 45.50 undevelopable acres, approximately 67.96 acres under construction and approximately 192.43 acres remaining for future development.

Status of Development within the District

The following is a status of construction of single-family housing within the District as of August 1, 2024:

<u>Section</u>	<u>Type of Development</u>	<u>Acreage</u>	<u>No. of Lots</u>	<u>Homes</u>		<u>Vacant Lots</u>
				<u>Complete</u>	<u>Under Construction</u>	
Trillium, Section 1	Single Family	9.19	27	6	0	21
Trillium, Section 2	Single Family	20.20	84	56	22	11
Trillium, Section 3	Single Family	33.52	80	28	29	18
Trillium, Section 4	Single Family	10.21	52	0	46	6
Trillium, Section 5	Single Family	12.29	65	0	21	44
Trillium, Section 6	Single Family	18.81	41	0	25	16
Subtotal		104.22	349	90	143	116

Undevelopable acres	45.50
Under Construction acres	67.96
Remaining Developable acres	192.43
Total District Acreage	410.11

Homebuilders within the District

Tri Pointe and Taylor Morrison are the only active homebuilders in the District. Prices of new homes being constructed in the District range from approximately \$389,990 to approximately \$701,990 with home square footage ranging from approximately 1,700 square feet to approximately 3,300 square feet.

THE DEVELOPER

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 of the cost of constructing certain of the water, wastewater and drainage facilities in a utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

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

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

TPHTM 1464 LLC

The developer of land within the District is TPHTM 1464 LLC, a Delaware limited liability company ("TPHTM" or the "Developer"). TPHTM is a joint-venture created by Taylor Morrison of Texas, Inc., a subsidiary of Taylor Morrison Home Corporation, a Delaware corporation, ("Taylor Morrison"), and Tri Pointe Homes Texas Inc., a subsidiary of Tri Pointe Homes, Inc., a Delaware corporation, ("Tri Pointe"), for the sole purpose of purchasing land within the District for the purpose of holding such land and delivering finished lots to Taylor Morrison and Tri Pointe for home construction pursuant to a takedown schedule agreed to by the parties. TPHTM is a thinly capitalized, single purpose entity whose assets consist primarily of the land it owns within the District and the receivables due from the District for development costs.

To date, TPHTM has developed approximately 104 acres (349 lots) within the District as Trillium, Sections 1-6, and currently owns approximately 192 remaining undeveloped but developable acres, approximately 68 acres under development within the District and approximately 45 acres which are undevelopable. Taylor Morrison and Tri Pointe are the partnering entities of TPHTM and currently the only active homebuilders within the District.

Taylor Morrison of Texas, Inc.

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

Certain financial information concerning the Developer is included as part of the consolidated financial statements of Taylor Morrison. However, Taylor Morrison is not legally obligated to provide funds for the development of the District, provide funds to pay taxes on property in the District owned by any other Developer, or to pay any other obligations of other Developer. Further, Taylor Morrison is not responsible for, liable for or has made any commitment for payment of the Bonds or other obligations of the District and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Taylor Morrison has no legal commitment to the District or owners of the Bonds to continue development of the land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of Taylor Morrison is subject to change at any time. Because of the foregoing, financial information concerning Taylor Morrison will neither be updated nor provided following issuance of the Bonds.

Tri Pointe Homes Texas, Inc.

Tri Pointe Homes Texas Inc. ("Tri Pointe") is a wholly owned subsidiary of its publicly traded parent company, Tri Pointe Homes, Inc., a Delaware corporation, whose stock is listed on the New York Stock Exchange under the ticker symbol "TPH." As a publicly traded company, Tri Pointe Homes, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files annual reports, quarterly reports, proxy statements, and periodic statements with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements, and other information filed by Tri Pointe Homes, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the 26 New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements, and other information regarding registrants that file electronically with the SEC.

Development Financing

Most of the undeveloped land within the District serves as collateral for loans with U.S. Bank National Association. As of August 30, 2024, the outstanding balance of the loans was \$49,382,378 out of total commitments of \$70,000,000. The loans have maturity dates ranging from 0 -3 years from November 2021-November 2024, and interest rates of 30-day SOFR +3.06% with a floor of 3.45%. According to the Developer, they are performing and are in compliance with all material terms of the loans.

THE SYSTEM

Regulation

According to the Engineer, the water distribution and wastewater collection lines constructed by the District (the "Utility System") have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ and the City of Houston, Texas. According to the District's Engineer, the design of all such completed facilities has been approved by all required governmental agencies.

Water, Sanitary Sewer and Drainage System

Water Supply: The District temporarily is receiving its water supply from Fort Bend County Municipal Utility District No. 134A ("MUD 143A"). The District will then purchase excess water capacity from Fort Bend County Municipal Utility District No. 30 ("MUD 30"), while the District builds its on-site water plant. Once the District's water plant is completed, it will receive surface water and consist of two 560 gallons per minute ("gpm") single string submersible wells, two 245,000-gallon bolted epoxy ground storage tanks, four 800 gpm booster pumps, and two 15,000-gallon hydropneumatics tanks. The on-site water plant is currently under construction and is anticipated to be operational before the end of 2024.

The District is within the boundaries of the North Fort Bend Water Authority (the "Authority") and has received acceptance into the Authority's Groundwater Reduction Plan (GRP). The District's water plant will be able to supply 1,600 equivalent single-family connections ("esfcs") at full buildout.

Wastewater Treatment: MUD 30 and the District have entered into a Joint Wastewater Facilities Agreement (the "Utility Agreement"). MUD 30 has constructed wastewater treatment plant no. 1 ("WWTP 1"), which is permitted as a 1,500,000 gallons per day ("gpd") wastewater treatment plant. MUD 30 also constructed wastewater treatment plant no. 2 ("WWTP 2"), which is permitted as a 300,000 gpd wastewater treatment plant. MUD 30 constructed phase 2 of the WWTP 2, which added an additional 300,000 gpd to WWTP 2. Currently, WWTP 2 is permitted for 600,000 gpd of wastewater treatment capacity. The District has purchased 356,000 gallons of wastewater treatment capacity from MUD 30. Using 250 gallons per day per connection the District can serve 1,424 connections. MUD 30 has a wastewater discharge permit to expand WWTP 2 to the ultimate capacity of 900,000 gpd. The District has the right to construct phase 3 of the WWTP 2 to construct an additional 300,000 gpd of wastewater capacity. The District has deposited the engineering and construction costs to MUD 30 to complete the expansion, which is currently under construction.

Storm Water Drainage System and Drainage Improvements: The storm water runoff within the District will be directed along a curb and gutter street system to an underground storm sewer system that will outfall into detention ponds. All storm drainage improvements will be designed in accordance with the City of Houston, Texas and Fort Bend County, Texas.

100 Year Flood Plain

Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years.

According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM) Panel Nos. 48157C0085M and 48157C0095M, both dated January 29, 2021, none of the land within the District's boundaries is located within the 100-year flood plain.

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 the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application

of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property within the expanded boundaries of the floodplain.

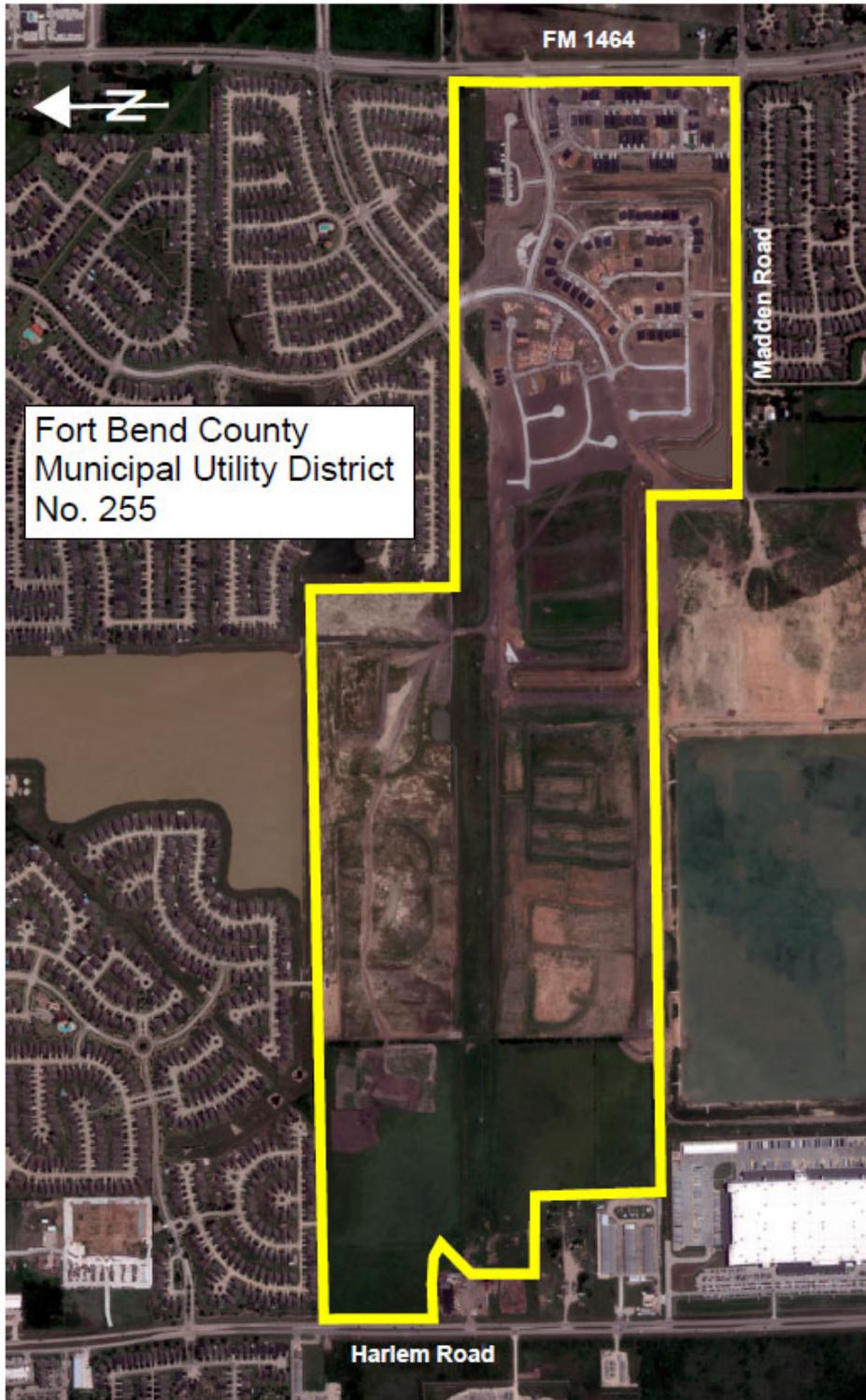
THE ROAD SYSTEM

Road Improvements:

The Road System serves residents of the District by providing access to the major thoroughfares and collectors within the Trillium development and surrounding area. The major thoroughfares and collectors serving the District include FM 1464, Harlem Road and eventually Bissonnet Boulevard and Westmoor Drive. 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 Fort Bend County, Texas as the phases are constructed and accepted by Fort Bend County, Texas. The District does not intend to maintain or operate the roads once they are accepted by Fort Bend County, Texas.

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AERIAL PHOTOGRAPH OF THE DISTRICT
(August 2024)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(August 2024)



DISTRICT DEBT

Debt Service Requirement Schedule

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

Calendar Year	The Bonds		Total Debt Service
	Principal	Interest	
2025	\$ -	\$ 166,085	\$ 166,085
2026	95,000	194,125	289,125
2027	100,000	187,950	287,950
2028	105,000	181,450	286,450
2029	110,000	174,625	284,625
2030	115,000	167,475	282,475
2031	120,000	160,000	280,000
2032	125,000	152,200	277,200
2033	135,000	147,200	282,200
2034	140,000	141,800	281,800
2035	145,000	136,200	281,200
2036	155,000	130,400	285,400
2037	160,000	124,200	284,200
2038	170,000	117,800	287,800
2039	175,000	111,000	286,000
2040	185,000	104,000	289,000
2041	195,000	96,600	291,600
2042	205,000	88,800	293,800
2043	215,000	80,600	295,600
2044	220,000	72,000	292,000
2045	235,000	63,200	298,200
2046	245,000	53,800	298,800
2047	255,000	44,000	299,000
2048	270,000	33,800	303,800
2049	280,000	23,000	303,000
2050	295,000	11,800	306,800
Total	\$ 4,450,000	\$ 2,964,110	\$ 7,414,110

Average Annual Debt Service Requirement (2025-2050).....	\$ 285,158
Maximum Annual Debt Service Requirement (2050).....	\$ 306,800

[Remainder of page intentionally left blank.]

Bonded Indebtedness

2024 Assessed Taxable Valuation	\$ 22,051,081	(a)
Estimated Taxable Valuation as of August 1, 2024.....	\$ 67,748,994	(b)
Direct Debt:		
The Bonds	\$ 4,450,000	
Total	\$ 4,450,000	
Estimated Overlapping Debt.....	\$ 248,243	(c)
Total Direct and Estimated Overlapping Debt	\$ 4,698,243	(c)
Direct Debt Ratios:		
As a percentage of 2024 Assessed Taxable Valuation	20.18	%
As a percentage of Estimated Taxable Valuation as of August 1, 2024.....	6.57	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2024 Assessed Taxable Valuation	21.31	%
As a percentage of Estimated Taxable Valuation as of August 1, 2024.....	6.93	%
Road Debt Service Fund (as of delivery of the Bonds)	\$ 291,188	(d)
Operating Fund Balance (as of August 28, 2024)	\$ 206,957	(e)
Capital Projects Fund Balance (as of August 28, 2024)	\$ -	
2024 Tax Rate per \$100 of Assessed Taxable Valuation		
Utility Debt Service	\$ 0.00	
Road Debt Service	\$ 0.00	
Maintenance and Operations.....	\$ 1.25	
Total	\$ 1.25	
Average Annual Debt Service Requirement (2025-2050)	\$ 285,158	(f)
Maximum Annual Debt Service Requirement (2050).....	\$ 306,800	(f)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay		
Average Annual Debt Service Requirement (2025-2050) at 95% Tax Collections:		
Based on the 2024 Assessed Taxable Valuation.....	\$ 1.37	
Based on the Estimated Taxable Valuation as of August 1, 2024.....	\$ 0.45	
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay		
Maximum Annual Debt Service Requirement (2050) at 95% Tax Collections:		
Based on the 2024 Assessed Taxable Valuation.....	\$ 1.47	
Based on the Estimated Taxable Valuation as of August 1, 2024.....	\$ 0.48	
Single-Family Homes (including 143 under construction) as of August 1, 2024.....	233	(g)

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). This amount includes \$3,219,972 of uncertified value, which represents 80% of the total uncertified value provided by the Appraisal District which is the estimated minimum amount of uncertified value that will ultimately be certified. See "TAX DATA - Assessed Taxable Valuation Summary" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for information purposes only. Includes new construction within the District, from January 1, 2024, to August 1, 2024. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (d) Upon closing and delivery of the Bonds, eighteen (18) months of capitalized interest will be deposited into the Road Debt Service Fund. Neither Texas law nor the Bond Resolution require that the District maintain any particular sum in the Road Debt Service Fund. Monies in the Road Debt Service Fund cannot be used 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 Bonds. See "DISTRICT DEBT - Debt Service Requirement Schedule."
- (g) Of the 76 homes completed as of August 1, 2024, approximately 65 homes were occupied.

Estimated Direct and 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 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 as of July 31, 2024	Estimated Overlapping	
		Percent	Amount
Fort Bend General	\$ 876,570,455	0.01%	\$ 53,591
Fort Bend Drainage District	22,655,000	0.01%	1,406
Fort Bend Consolidated Independent School District	1,765,610,000	0.01%	<u>193,245</u>
Total Estimated Overlapping Debt			\$ 248,245
The District			<u>\$ 4,450,000</u> (a)
Total Direct & Estimated Overlapping Debt			<u>\$ 4,698,243</u> (b)

- (a) The Bonds
(b) Includes the Bonds.

Debt Ratios

	Percentage of 2024 Assessed Taxable Valuation	Percentage of Estimate of Value August 1, 2024
Direct Debt (a)	20.18%	6.57%
Total Direct and Estimated Overlapping Debt (a)	21.31%	6.93%

- (a) Includes 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 unlimited tax bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS – Future Debt"), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond 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 and the Utility System and for the payment of certain contractual obligations. See "TAX DATA – Maintenance Tax."

Property Tax Code and County-Wide Appraisal District

Title I of the Texas 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 Appraisal District. The Fort Bend Central Appraisal District (the "Appraisal District") has the responsibility of appraising property for all taxing units within Fort Bend County, including the District. Such appraisal values will be subject to review and change by the Fort Bend County 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, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Effective January 1, 2018, this exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by before July 1. The District has never adopted a homestead exemption. See "TAX DATA."

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 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 property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Fort Bend County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County or the City 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, Fort Bend 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 10 percent 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 the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such

temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

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.

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

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 which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property 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 of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. 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, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in 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, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis. For the 2024 tax year, the District is classified 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." The Board has in its Bond Resolution covenanted 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. See "THE BONDS" and "RISK FACTORS."

Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road System Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.50 per \$100 Assessed Taxable Valuation.
Maintenance (Road):	\$0.25 per \$100 Assessed Taxable Valuation.

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax for utility improvements in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. The Board is authorized by the District's voters to levy a maintenance tax for road improvements in an amount not to exceed \$0.25 per \$100 of assessed valuation. See "Tax Rate Distribution" below.

Additional Penalties

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

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation which would be required to meet certain debt service requirements of the Bonds if no growth in the District's tax base occurs beyond the 2024 Assessed Taxable Valuation (\$22,051,081), or the Estimated Taxable Valuation as of August 1, 2024, (\$67,748,994). 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 (2025-2050)	\$ 285,158
Debt Service Tax Rate of \$1.37 on the 2024 Assessed Taxable Valuation	\$ 286,995
Debt Service Tax Rate of \$0.45 on the Estimated Taxable Valuation as of August 1, 2024	\$ 289,627
Maximum Annual Debt Service Requirement (2050).....	\$ 306,800
Debt Service Tax Rate of \$1.47 on the 2024 Assessed Taxable Valuation	\$ 307,943
Debt Service Tax Rate of \$0.48 on the Estimated Taxable Valuation as of August 1, 2024	\$ 308,935

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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 – Estimated Direct and 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 taxes 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. The following chart includes the 2023 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

<u>Taxing Jurisdictions</u>	<u>2023 Tax Rate Per \$100 of A.V.</u>
The District	\$1.250000 (a)
Fort Bend Drainage District	0.012400
Fort Bend General	0.426500
Fort Bend ESD 5	0.086156
Fort Bend CISD	<u>0.989200</u>
Total Tax Rate	<u>\$2.764256</u>

(a) Represents the District’s 2024 tax rate.

Historical Tax Collections

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate Per \$100 (a)</u>	<u>Adjusted Levy</u>	<u>% of Collections Current Year</u>	<u>For the Current Year Ended July 31</u>	<u>% of Collections as of 07/31/2024</u>
2023	\$ 6,894,746	\$1.25	\$ 86,184	100.00%	2024	100.00%
2024	\$18,831,109	\$1.25 (b)	\$ 235,389	(b)	2025	(b)

(a) See “Tax Rate Distribution” below.

(b) In the process of collections.

Tax Rate Distribution

<u>The District</u>	<u>2024</u>	<u>2023</u>
Utility System Debt Service	\$0.00	\$0.00
Road System Debt Service	\$0.00	\$0.00
Maintenance & Operations	<u>\$1.25</u>	<u>\$1.25</u>
Total	\$1.25	\$1.25

Assessed Taxable Valuation Summary

The following represents the types of property comprising the District assessed taxable value for 2023-2024 tax years.

Type of Property	2024 Assessed Taxable Valuation (a)	2023 Assessed Taxable Valuation
Land	\$ 12,748,973	\$ 6,894,746
Improvements	5,752,308	-
Personal Property	337,528	-
Exemptions	<u>(7,700)</u>	<u>(-)</u>
Total	\$ 18,831,109	\$ 6,894,746

(a) This amount excludes \$3,219,972 of uncertified value, which represents 80% of the total uncertified value provided by the Appraisal District which is the estimated minimum amount of uncertified value that will ultimately be certified.

Principal Taxpayers

The following table represents the top principal taxpayers, the taxable appraised value of such property as a percentage of the 2024 Taxable Assessed Valuation of \$18,831,109.

Taxpayer	Type of Property	Assessed Taxable Valuation 2024 Tax Roll	Percentage of 2024 Taxable Assessed Valuation
Tri Pointe Homes Texas, Inc. (a)	Land & Improvements	\$ 7,132,289	37.88%
Taylor Morrison of Texas, Inc. (a)	Land & Improvements	7,130,370	37.86%
TPHTM 1464 LLC (a)	Land	3,582,428	19.02%
Homeowner	Land & Improvements	224,354	1.19%
Homeowner	Land & Improvements	193,728	1.03%
Homeowner	Land & Improvements	192,849	1.02%
Homeowner	Land & Improvements	191,336	1.02%
Homeowner	Land & Improvements	<u>183,755</u>	<u>0.98%</u>
Total		<u>\$ 18,831,109</u>	<u>100.00%</u>

% of Respective Tax Roll

(a) See "DEVELOPMENT OF THE DISTRICT" and "THE DEVELOPER."

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 limit 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 is excludable from gross income for federal tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

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 Proceeds of the Bonds"), "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.

Allen Boone Humphries Robinson LLP, also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District 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

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations.

The Internal Revenue Code of 1986, as amended (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 proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of 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 which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor, and the Initial Purchaser, with respect to matters solely within the knowledge of the District, the District's Financial Advisor, and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolutions or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations 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, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and taxpayers otherwise qualifying for the earned income 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. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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 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 during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the “Original Issue Discount Bonds”) is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption “TAX MATTERS” generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution’s investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is

provided in the Code for “qualified tax-exempt obligations,” which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as “qualified tax-exempt obligations” and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as “qualified tax-exempt obligations” and represents that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2024 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2024.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States and Securities Exchange Commission (the “SEC”) regarding the District's continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of outstanding bonds (including the Bonds) and no person is committed by contract or other arrangement with respect to payment of the Bonds as required by the exemption. As required by the exemption, in the Bond Resolution, the District has made 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 events, to the Municipal Securities Rulemaking Board (the “MSRB”) or any successor to its functions as a repository through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB. The financial information and operating data which will be provided with respect to the District is found in “APPENDIX A” (Financial Statements of the District). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending on or after 2024. 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 the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (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 15c2-12 (the “Rule”). The term

“material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond 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 certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders 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 first issuance of bonded indebtedness by the District, and, as such, the District has not previously entered into a continuing disclosure agreement pursuant to SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developer, the District’s records, the Engineer, the Tax Assessor/Collector 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.

The financial statements of the District as of July 31, 2023, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC. independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s July 31, 2023, audited financial statements.

Experts

The information contained in the Official Statement relating to engineering and to the description of the Utility System, Road System and, in particular, that engineering information included in the sections entitled “THE DISTRICT – Description,” “THE SYSTEM,” and “THE ROAD SYSTEM” has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the 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 Utility Tax Service LLC, and the Appraisal District. Such information has been included herein in

reliance upon Utility Tax Service LLC's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

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 notify the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which 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 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 Fort Bend County Municipal Utility District No. 255 as of the date shown on the cover page hereof.

/s/ Stefania Langley
President, Board of Directors
Fort Bend County Municipal Utility District No. 255

ATTEST:

/s/ Elizabeth "Violet" Mak
Secretary, Board of Directors
Fort Bend County Municipal Utility District No. 255

APPENDIX A
FINANCIAL STATEMENTS
OF THE DISTRICT

**FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 255**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

July 31, 2023

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		12
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		13
Notes to Financial Statements		15
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		24
Notes to Required Supplementary Information		25
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	28
General Fund Expenditures	TSI-2	30
Investments	TSI-3	N/A
Taxes Levied and Receivable	TSI-4	N/A
Long-Term Debt Service Requirements by Years	TSI-5	N/A
Change in Long-Term Bonded Debt	TSI-6	N/A
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	31
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	N/A
Board Members, Key Personnel and Consultants	TSI-8	32

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Fort Bend County Municipal Utility District No. 255
Fort Bend County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and General Fund of Fort Bend County Municipal Utility District No. 255 (the "District"), as of and for the seven-month inception period ended July 31, 2023, 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 General Fund of Fort Bend County Municipal Utility District No. 255, as of July 31, 2023, 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

***Board of Directors
Fort Bend County Municipal Utility District No. 255
Fort Bend County, Texas***

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.

W. G. Galt & Co., P.C.

Houston, Texas
August 28, 2024

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Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 255
Management's Discussion and Analysis
July 31, 2023***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 255 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the seven-month inception period ended July 31, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section. Since this report is for an inception period, comparative data is not included. Financial reports for future years will include a comparative analysis of current year results to prior year data.

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

Fort Bend County Municipal Utility District No. 255
Management's Discussion and Analysis
July 31, 2023

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 July 31, 2023, was negative \$77,963. This amount is negative because the District relies on advances from its developer to fund operating costs. A summary of the District's overall financial position, as of July 31, 2023, is as follows:

Current and other assets	<u>\$ 5,323</u>
Current liabilities	33,286
Long-term liabilities	<u>50,000</u>
Total liabilities	<u>83,286</u>
Net position	
Unrestricted	<u>(77,963)</u>
Total net position	<u><u>\$ (77,963)</u></u>

Fort Bend County Municipal Utility District No. 255
Management's Discussion and Analysis
July 31, 2023

During the seven-month inception period ended July 31, 2023, the District's expenses exceeded its revenues, which resulted in a negative net position of \$77,963. A summary of the District's *Statement of Activities* for the seven-month inception period is as follows:

Total Revenues	<u>\$ -</u>
Expenses	
Operating and administrative	<u>77,963</u>
Change in net position	<u><u>\$ (77,963)</u></u>

Financial Analysis of the District's General Fund

Fund balance in General Fund, as of July 31, 2023, was negative \$27,963. A summary of the General Fund's financial position as of July 31, 2023, is as follows:

Total assets	<u>\$ 5,323</u>
Total liabilities	\$ 33,286
Total fund balance	<u>(27,963)</u>
Total liabilities and fund balance	<u><u>\$ 5,323</u></u>

A summary of the General Fund's activities for the seven-month inception period ended July 31, 2023 is as follows:

Total revenues	\$ -
Total expenditures	<u>(77,963)</u>
Revenues under expenditures	(77,963)
Other changes in fund balance	<u>50,000</u>
Net change in fund balance	<u><u>\$ (27,963)</u></u>

During the seven-month inception period, the District relied on advances from its developer to supplement revenue shortfalls. Fund balance in the General Fund is the result of timing differences between developer advances and expenditures for which those advances are intended to fund.

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 inception period budget consists of seven months of revenues and expenses. 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 \$27,963 less than budgeted. The *Budgetary Comparison Schedule* on page 24 of this report provides variance information per financial statement line item.

Fort Bend County Municipal Utility District No. 255
Management's Discussion and Analysis
July 31, 2023

Long-Term Debt and Related Liabilities

As of July 31, 2023, the District owes \$50,000 to its developer for operating advances. As discussed in Note 4, the District has an additional commitment in the amount of \$17,947,716 for projects under construction by the developer. The District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

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, the projected cost of operating the District, and developer advances required to fund these expenditures. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2023 Actual</u>	<u>2024 Budget</u>
Total revenues	\$ -	\$ -
Total expenditures	<u>(77,963)</u>	<u>(104,900)</u>
Revenues under expenditures	(77,963)	(104,900)
Other changes in fund balance	<u>50,000</u>	<u>104,900</u>
Net change in fund balance	(27,963)	
Beginning fund balance		<u>(27,963)</u>
Ending fund balance	<u><u>\$ (27,963)</u></u>	<u><u>\$ (27,963)</u></u>

It should be noted that current period actual amounts are for a seven-month period, while next year's budget is for a twelve-month period.

Authorization to Levy and Collect Property Taxes and Issue Bonds

During an election held on November 15, 2023, the voters of the District authorized the District's Board of Directors to levy a maintenance tax for financing general operations limited to \$1.50 per \$100 of assessed value and to levy a road maintenance tax limited to \$0.25 per \$100 of assessed. Additionally, the voters authorized the District to issue \$323,500,000 unlimited tax bonds for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and for refunding of such bonds; \$103,000,000 for parks and recreational facilities and for refunding of such bonds; and \$190,000,000 for road improvements and for refunding of such bonds.

Property Taxes

For the 2023 tax year, the District's property tax base is \$6,894,746. The District has levied a maintenance tax rate of \$1.25 per \$100 of assessed value.

Basic Financial Statements

*Fort Bend County Municipal Utility District No. 255
Statement of Net Position and Governmental Funds Balance Sheet
July 31, 2023*

	General Fund	Adjustments	Statement of Net Position
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash	\$ 5,323	\$ -	\$ 5,323
	<u> </u>	<u> </u>	<u> </u>
Liabilities			
Accounts payable	\$ 32,886		32,886
Other payables	400		400
Due to developer		50,000	50,000
Total Liabilities	<u>33,286</u>	<u>50,000</u>	<u>83,286</u>
Fund Balances/Net Position			
Fund Balances			
Unassigned	<u>(27,963)</u>	<u>27,963</u>	
Total Fund Balances	<u>(27,963)</u>	<u>27,963</u>	
Total Liabilities and Fund Balances	<u>\$ 5,323</u>		
Net Position			
Unrestricted		<u>(77,963)</u>	<u>(77,963)</u>
Total Net Position		<u>\$ (77,963)</u>	<u>\$ (77,963)</u>

See notes to basic financial statements.

*Fort Bend County Municipal Utility District No. 255
Statement of Activities and Governmental Funds Revenues, Expenditures
and Changes in Fund Balances
For the Seven-Month Inception Period Ended July 31, 2023*

	General Fund	Adjustments	Statement of Activities
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures/Expenses			
Operating and administrative			
Professional fees	59,767		59,767
Contracted services	6,342		6,342
Administrative	11,854		11,854
Total Expenditures/Expenses	<u>77,963</u>		<u>77,963</u>
Revenues Under Expenditures	(77,963)	77,963	
Other Financing Sources			
Developer advances	<u>50,000</u>	<u>(50,000)</u>	
Net Change in Fund Balances	(27,963)	27,963	
Change in Net Position		(77,963)	(77,963)
Fund Balance/Net Position			
End of the year	<u><u>\$ (27,963)</u></u>	<u><u>\$ (50,000)</u></u>	<u><u>\$ (77,963)</u></u>

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 255 (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 October 27, 2022, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on January 25, 2023.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage 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 a five-member Board of Directors temporarily appointed by the Texas Commission on Environmental Quality (“TCEQ”), until permanent directors are elected. 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. 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. The District uses only a General Fund to account for its operations. The District’s principal financial resources are from developer advances. Expenditures include costs associated with the daily operations of the District.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

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.

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 of \$50,000 or more 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 are not capitalized. Capital assets are recorded at historical cost or estimated historical cost. 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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 does not have any restricted fund balances.

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 and deficit fund balances.

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.

Fort Bend County Municipal Utility District No. 255
Notes to Financial Statements
July 31, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

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 value of amounts due to developer. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$ (27,963)
Amounts due to the District's developer for operating advances are recorded as a liability in the <i>Statement of Net Position</i> .	(50,000)
Total net position - governmental activities	<u><u>\$ (77,963)</u></u>

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

Net change in fund balances - total governmental funds	\$ (27,963)
Amounts received from the District's developer for operating advances provide financial resources at the fund level, but are recorded as a liability in the <i>Statement of Net Position</i> .	(50,000)
Change in net position of governmental activities	<u><u>\$ (77,963)</u></u>

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.

Note 3 – Deposits and Investments (continued)

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.

Note 4 – Due to Developer

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

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

The estimated amounts due to developer at July 31, 2023 are \$50,000, which consists entirely of amounts advanced to fund operating costs.

Fort Bend County Municipal Utility District No. 255
Notes to Financial Statements
July 31, 2023

Note 4 – Due to Developer (continued)

In addition, the District will owe the developer approximately \$17,947,716 , which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percent Complete
Clearing and mass grading to serve Trillium phase 1 drainage channels and detention phase 1	\$ 5,818,273	82.4%
Utilities to serve Trillium Sections 1, 2 and Trillium Bend Lane	3,993,000	47.3%
Utilities to serve Trillium Sections 3, 6 and Westmoor Drive	3,001,000	43.8%
Detention Pond for Trillium	2,429,317	21.9%
Trillium Section 3 and Westmoor Drive - Paving	1,516,910	0.0%
Lift station No. 1	1,189,216	0.0%
	<u>\$ 17,947,716</u>	

Note 5 – 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 6 – Economic Dependency

The District is dependent upon its developer for operating advances. The developer continue to own a substantial portion of the taxable property within the District. The developers’ willingness to make future operating advances and to pay property taxes will directly affect the District’s ability to meet its future obligations.

Note 7 - Subsequent Events

Authorization to Levy and Collect Property Taxes and Issue Bonds

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 annually for use in financing road maintenance limited to \$0.25 per \$100 of assessed value.

Note 7 - Subsequent Events (continued)

Authorization to Levy and Collect Property Taxes and Issue Bonds (continued)

The voters of the District also authorized the issuance of bonds of \$323,500,000 unlimited tax bonds for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and for refunding of such bonds; \$103,000,000 for parks and recreational facilities and for refunding of such bonds; and \$190,000,000 for road improvements and for refunding of such bonds.

Drainage Agreement

On January 24, 2024, the District entered into an agreement with Fort Bend Municipal Utility District No. 134B (“MUD 134B”) for the purpose of constructing a drainage ditch expansion to provide drainage capacity for the upstream property. The District shall be responsible for the cost of the design and constructing all stormwater improvements necessary to convey stormwater and will operate and maintain the drainage ditch expansion unless and until Fort Bend County Drainage District assumes maintenance or responsibility. The District will invoice MUD 134B monthly for its pro rata share of maintenance expenses with the Districts share being 86% and 14% for MUD 134B.

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Required Supplementary Information

*Fort Bend County Municipal Utility District No. 255
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Seven-Month Inception Period Ended July 31, 2023*

	Original and Final Budget	Actual	Variance Positive (Negative)
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures			
Operating and administrative			
Professional fees	30,000	59,767	(29,767)
Contracted services	5,000	6,342	(1,342)
Administrative	8,621	11,854	(3,233)
Total Expenditures	<u>43,621</u>	<u>77,963</u>	<u>(34,342)</u>
Revenues Under Expenditures	(43,621)	(77,963)	(34,342)
Other Financing Sources			
Developer advances	<u>43,621</u>	<u>50,000</u>	<u>6,379</u>
Net Change in Fund Balance		(27,963)	(27,963)
Fund Balance			
End of the year	<u><u>\$ -</u></u>	<u><u>\$ (27,963)</u></u>	<u><u>\$ (27,963)</u></u>

Fort Bend County Municipal Utility District No. 255
Notes to Required Supplementary Information
July 31, 2023

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 year.

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 255
TSI-1. Services and Rates
July 31, 2023

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

- | | | | |
|---|---|--|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Solid Waste / Garbage | <input type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks / Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads | <input type="checkbox"/> Security |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input type="checkbox"/> Other (Specify): _____ | | | |

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
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:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
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.

Fort Bend County Municipal Utility District No. 255
TSI-2. General Fund Expenditures
For the Seven-Month Inception Period Ended July 31, 2023

Professional fees	
Legal	\$ 51,357
Engineering	8,410
	<u>59,767</u>
Contracted services	
Bookkeeping	<u>6,342</u>
Administrative	
Directors fees	2,613
Printing and office supplies	339
Insurance	3,021
Other	5,881
	<u>11,854</u>
Total expenditures	<u><u>\$ 77,963</u></u>

See accompanying auditor's report.

*Fort Bend County Municipal Utility District No. 255
 TSI-7a. Schedule of Revenues and Expenditures - General Fund
 For the Seven-Month Inception Period Ended July 31, 2023*

	Amounts	Percent of Fund Total Revenues
Total Revenues	<u>\$ -</u>	<u>-%</u>
Expenditures		
Operating and administrative		
Professional fees	59,767	-
Contracted services	6,342	-
Administrative	11,854	-
Total Expenditures	<u>77,963</u>	<u>-</u>
Revenues Under Expenditures	<u>\$ (77,963)</u>	<u>-</u>

See accompanying auditor's report.

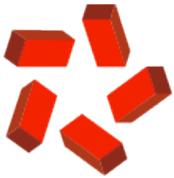
Fort Bend County Municipal Utility District No. 255
TSI-8. Board Members, Key Personnel and Consultants
For the Seven-Month Inception Period Ended July 31, 2023

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): June 13, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Stefania Langley	01/23 - 11/23	\$ 671	\$ 362	President
Robert Karl	01/23 - 11/23	671		Vice President
Elizabeth Mak	01/23 - 11/23	600		Secretary
Jacob Duffy	01/23 - 11/23	521		Assistant Vice President
Mollie Gardner-Jones	01/23 - 08/23	150		Assistant Secretary
Consultants				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson, LLP <i>General legal fees</i>	2023	\$ 32,226		Attorney
Municipal District Services, LLC	2023			Operator
Municipal Accounts & Consulting, LP	2023	2,604		Bookkeeper
Utility Tax Service, LLC	2023			Tax Collector
Pape-Dawson Engineers, Inc.	2023	2,596		Engineer
McGrath & Co., PLLC	2023			Auditor
Robert W. Baird & Co.	2023			Financial Advisor

* *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



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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