

OFFICIAL STATEMENT DATED JUNE 4, 2025

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 216, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION SUBJECT TO THE MATTERS DESCRIBED UNDER “LEGAL MATTERS” HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE “LEGAL MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE NOT BEEN DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. See “LEGAL MATTERS—Not Qualified Tax-Exempt Obligations.”

NEW ISSUE—Book Entry Only

S&P Global Ratings (BAM Insured) “AA”
See “MUNICIPAL BOND INSURANCE” and “RATING.”

\$4,125,000

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 216

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

UNLIMITED TAX BONDS

SERIES 2025

Dated Date: July 1, 2025

Interest accrues from: Date of Delivery

Due: September 1, as shown on inside cover

The \$4,125,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”), are obligations of Fort Bend County Municipal Utility District No. 216 (the “District”) and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Fulshear, Texas; or any entity other than the District.

Principal of the Bonds is payable at maturity or earlier redemption by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “Paying Agent/Registrar”). The Bonds are dated July 1, 2025 (the “Dated Date”) and interest accrues from the initial date of delivery (expected on or about July 10, 2025) (the “Date of Delivery”), and is payable on March 1, 2026, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption, and will be calculated on the basis a 360-day year consisting of twelve 30-day months. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof. See “THE BONDS” herein.

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

See “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS” on inside cover.

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



The Bonds, when issued, will constitute valid and legally 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 and Security for Payment.”

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

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about July 10, 2025.

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

\$4,125,000 Unlimited Tax Bonds, Series 2025

\$3,195,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 34683S (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 34683S (b)
2027	\$ 95,000	6.500%	3.400%	BY6	2037 (c)	\$ 160,000	4.250%	4.400%	CJ8
2028	100,000	6.500%	3.450%	BZ3	***	***	***	***	***
2029	105,000	6.500%	3.500%	CA7	2040 (c)	190,000	4.500%	4.700%	CM1
2030	110,000	6.500%	3.550%	CB5	2041 (c)	195,000	4.625%	4.800%	CN9
2031	120,000	6.500%	3.650%	CC3	2042 (c)	210,000	4.750%	4.850%	CP4
2032 (c)	125,000	5.500%	3.800%	CD1	2043 (c)	220,000	4.750%	4.900%	CQ2
2033 (c)	130,000	5.500%	3.900%	CE9	2044 (c)	230,000	4.750%	4.950%	CR0
2034 (c)	140,000	4.250%	4.150%	CF6	2045 (c)	240,000	4.750%	4.980%	CS8
2035 (c)	145,000	4.250%	4.200%	CG4	2046 (c)	255,000	4.750%	4.990%	CT6
2036 (c)	155,000	4.250%	4.300%	CH2	2047 (c)	270,000	4.750%	5.000%	CU3

\$930,000 Term Bonds

\$350,000 Term Bond Due September 1, 2039 (c)(d), Interest Rate: 4.500% (Price: \$98.963) (a), CUSIP No. 34683S CL3 (b)

\$580,000 Term Bond Due September 1, 2049 (c)(d), Interest Rate: 5.000% (Price: \$99.250) (a), CUSIP No. 34683S CW9 (b)

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- (a) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of, the Initial Purchaser (defined herein) and may subsequently be changed.
- (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 will be included solely for the convenience of the owners of the Bonds.
- (c) The Bonds maturing on and after September 1, 2032, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2031, or any date thereafter, at a price equal to the principal thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions—*Optional Redemption*."
- (d) Subject to mandatory 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 Provisions—*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.

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

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Award and Marketing of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest bid, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the “Initial Purchaser”). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates on the inside cover page of this Official Statement, at a price of 97.000000% of the principal amount thereof, which resulted in a net effective interest rate of 4.997796%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

Other than as set forth 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.

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the Date of Delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term “public” shall not include any person who is a bond house, broker, or similar person acting in the capacity of Initial Purchaser or wholesaler. Other than as set forth in the Official Notice of Sale, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

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 reoffering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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 in such other jurisdictions.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“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 an appendix to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products 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 <https://www.spglobal.com/en/>. 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 March 31, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$482.1 million, \$246.4 million, and \$235.7 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 are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance Policy for the Bonds by BAM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

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

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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 BONDS

The District.....	Fort Bend County Municipal Utility District No. 216 (the “District”), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See “THE DISTRICT.”
The Bonds.....	The District is issuing its \$4,125,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”). The Bonds are dated July 1, 2025, and mature on September 1 in each of the years and in the principal amounts set forth on the inside cover hereof. Interest on the Bonds accrues from the initial date of delivery (expected on or about July 10, 2025) (the “Date of Delivery”), and is payable March 1, 2026, and on each September 1 and March 1 thereafter until maturity or prior redemption. See “THE BONDS.”
Redemption.....	<p>The Bonds that mature on and after September 1, 2032, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See “THE BONDS—Redemption Provisions—<i>Optional Redemption</i>.”</p> <p>The Bonds mature serially on September 1 in each of the years 2027 through 2037, both inclusive, and in each of the years 2040 through 2047, both inclusive. The Bonds maturing on September 1 in the years 2039 and 2049 are term bonds that are also subject to mandatory redemption provisions set out under “THE BONDS—Redemption Provisions—<i>Mandatory Redemption</i>.”</p>
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 the Paying Agent/Registrar (herein defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”
Payment Record.....	The Bonds are the third series of unlimited tax bonds to be issued by the District. The District has never defaulted on the timely payment of debt service on its prior bonded indebtedness.
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Fulshear, Texas; or any entity other than the District. See “THE BONDS—Source and Security for Payment.”

Authority for Issuance.....	At an election held within the District on May 7, 2016, voters of the District authorized the District's issuance of an aggregate \$125,320,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a waterworks, sanitary sewer, and storm drainage system serving the District (the "Utility System"). The Bonds are the District's second issuance of unlimited tax bonds from such voted authorization. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order (herein defined); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; an order of the Texas Commission on Environmental Quality; and the election held within the District described above. See "THE BONDS—Authority for Issuance."
Outstanding Bonds	The District has previously issued one (1) series of bonds for the purpose of acquiring or constructing the Utility System and one (1) series of bonds for the purpose of acquiring or constructing a road system serving the District (the "Road System"). As of the Date of Delivery, \$11,775,000 principal amount of such previously issued bonds will remain outstanding (the "Outstanding Bonds").
Short-Term Debt.....	In connection with the Bonds, the District issued its \$2,135,000 Bond Anticipation Note, Series 2024 (the "BAN"), dated November 13, 2024. The BAN matures on November 12, 2025, and accrues interest at a rate of 5.25% per annum, calculated on the basis of actual days elapsed and a 365 or 366-day year, as applicable. The District will use a portion of the proceeds from the sale of the Bonds to redeem the BAN. See "THE BONDS—Short-Term Debt."
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse the Developer (as defined herein) for a portion of the costs of water, sewer and drainage improvements and related costs shown under "USE AND DISTRIBUTION OF BOND PROCEEDS." Additionally, proceeds from the sale of the Bonds will be used to reimburse the Developer for the portion of the improvements and related costs shown under "USE AND DISTRIBUTION OF BOND PROCEEDS" that were not reimbursed by the proceeds of the BAN; pay developer interest; pay twelve (12) months of capitalized interest on the Bonds; pay BAN interest; and pay other certain costs associated with the issuance of the Bonds and the BAN. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Not Qualified Tax-Exempt Obligations	The District has <u>not</u> designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS—Not 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	Schwartz, Page & Harding, L.L.P., Houston, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Engineer	LJA Engineering, Inc., Houston, Texas.

Financial Advisor..... Robert W. Baird & Co. Incorporated, Houston, Texas.
Paying Agent/Registrar..... The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

THE DISTRICT

Description..... The District was created in 2015 by Acts of the 84th Texas Legislature, Regular Session, codified as Chapter 8424, Texas Special District Local Laws Code (the “Act”). Upon its creation, the District included approximately 503.983 acres of land. Subsequent to its creation, the District has annexed approximately 53.617 acres into its boundaries, and currently, the District encompasses approximately 557.60 acres of land, all of which are located in Fort Bend County, Texas. The District has filed with the City of Fulshear a petition for consent to the annexation of approximately 71.66 acres, which petition has been approved by the City. To date, the District has not adopted an order annexing the land.

Location..... The District is located approximately 35 miles southwest of the central downtown business district of the City of Houston, Texas. The District lies wholly within the extraterritorial jurisdiction of the City of Fulshear, Texas (the “City”) and wholly within the boundaries of the Lamar Consolidated Independent School District. The District is bounded on the west and east by open land, on the north by Rogers Road, and on the south by Farm to Market 1093, which is the primary access road to the District. See “THE DISTRICT.”

Authority..... The rights, powers, privileges, authority, and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas, the Act, and the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT.”

Status of Development..... Land within the District is being developed as the master-planned community of Fulshear Lakes. Completed residential development currently consists of approximately 745 single-family lots that have been developed within the following ten (10) subdivisions: Fulshear Lakes Creekside Village, Sections 1–4; Fulshear Lakes Lakeside Park, Sections 1–4; Fulshear Lakes Creekside, Section 6; and Fulshear Lakes Hillside Village, Section 1.

Fulshear Lakes Creekside Village, Sections 1–4, Fulshear Lakes Lakeside Park, Sections 1-4, Fulshear Lakes Creekside, Section 6; and Fulshear Lakes Hillside Village, Section 1, which contain a total of 745 single-family lots on approximately 180.28 acres, are complete and available for homebuilding. As of April 1, 2025, such 745 single-family lots within the District included approximately 299 completed homes, approximately 49 homes under construction, and approximately 397 vacant, developed lots.

The ten currently complete residential sections encompass a total of approximately 242.10 acres, including approximately 180.28 acres for residential lots and roadways (internal streets) and approximately 61.82 acres for collector roads and for reserves related to open space, landscaping, utilities, and drainage (drainage reserves include but are not limited detention ponds within certain subdivisions).

The District also includes a school site. In 2020, the Developer conveyed approximately 14.19 acres to Lamar Consolidated Independent School District. Lamar Consolidated Independent School District constructed Fletcher Morgan, Jr. Elementary School on the site that opened in 2022.

The remainder of the land in the District is made up of approximately 12.31 acres for existing major roads and other undevelopable lands and approximately 289.00 acres planned for the future development. See “STATUS OF DEVELOPMENT.”

The Developer..... The developer of land within the District is Fulshear Lakes, Ltd., a Texas limited partnership (“FLL” or the “Developer”), whose general partner is Fulshear Lakes GP, LLC, a Texas limited liability company. FLL was formed for the purpose of owning and developing land in the Fulshear Lakes community, and Sam Yager Incorporated is managing the development of Fulshear Lakes on behalf of FLL. Sam Yager Incorporated is a Houston-based mixed-use development company specializing primarily in single-family residential development. See “THE DEVELOPER.”

Homebuilders Homebuilders active within the District include Anglia Homes, Chesmar Homes, Drees Custom Homes, HistoryMaker Homes, Sitterle Homes, Empire Communities, Smith Douglas Homes, Perry Homes, and Westin Homes. New homes being constructed in the District range in price from approximately \$300,000 to \$650,000 and in size from approximately 1,450 to 3,750 square feet. See “STATUS OF DEVELOPMENT—Homebuilders Active within the District.”

RISK FACTORS

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

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2024 Certified Taxable Assessed Valuation	\$ 48,595,331	(a)
2025 Preliminary Taxable Assessed Valuation	\$ 147,668,916	(b)
Estimated Taxable Assessed Valuation as of April 1, 2025	\$ 153,452,322	(c)
Direct Debt		
The Outstanding Bonds.....	\$ 11,775,000	
The Bonds	\$ 4,125,000	
Total.....	\$ 15,900,000	
Estimated Overlapping Debt	\$ 5,184,798	(d)
Total Direct and Estimated Overlapping Debt	\$ 21,084,798	(d)
Direct Debt Ratios:		
As a Percentage of 2024 Certified Taxable Assessed Valuation	32.72	%
As a Percentage of 2025 Preliminary Taxable Assessed Valuation	10.77	%
As a Percentage of Estimated Taxable Assessed Valuation as of April 1, 2025	10.36	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of 2024 Certified Taxable Assessed Valuation	43.39	%
As a Percentage of 2025 Preliminary Taxable Assessed Valuation	14.28	%
As a Percentage of Estimated Taxable Assessed Valuation as of April 1, 2025	13.74	%
Bond Fund Utility Bond Account Balance (as of May 7, 2025)	\$ 323,901	(e)
Utility Construction Fund Account Balance (as of May 7, 2025)	\$ 401,785	
Bond Fund Road Bond Account Balance (as of May 7, 2025).....	\$ 242,187	(f)
Road Construction Fund Account Balance (as of May 7, 2025).....	\$ 49,389	
Operating Fund Account Balance (as of May 7, 2025).....	\$ 1,144,058	(g)

- (a) Represents the taxable assessed valuation of all taxable property in the District as of January 1, 2024, as certified by the Fort Bend Central Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Represents the preliminary determination of the taxable value in the District as of January 1, 2025, provided by the Fort Bend Central Appraisal District. This preliminary value is subject to protest by the owners of taxable property in the District. No taxes will be levied on this preliminary value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Provided by the Fort Bend Central Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of April 1, 2025, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2024 through April 1, 2025. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (d) See "DISTRICT DEBT—Direct and Estimated Overlapping Debt Statement."
- (e) An additional twelve months of capitalized interest to be deposited into the Bond Fund Utility Bond Account (defined herein) upon closing of the Bonds. Neither Texas law nor the Bond Order (hereinafter defined) requires that the District maintain any particular sum in the Bond Fund (defined herein). Funds in the Bond Fund Utility Bond Account are pledged only to pay debt service on bonds issued for the Utility System and are not available to pay debt service on bonds issued for the Road System.
- (f) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Bond Fund Road Bond Account. Funds in the Bond Fund Road Bond Account are pledged only to pay debt service on bonds issued for the Road System and are not available to pay debt service on bonds issued for the Utility System, including the Bonds.
- (g) See "RISK FACTORS—Operating Funds."

2024 Tax Rate		
Debt Service		\$0.100
Maintenance and Operations		<u>\$1.350</u>
Total.....		\$1.450
Average Annual Debt Service Requirement (2025–2049)	\$	1,040,764 (a)
Maximum Annual Debt Service Requirement (2048).....	\$	1,162,850 (a)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Average Annual Debt Service Requirement (2025–2049) at 95% Tax Collections:		
Based on 2024 Certified Taxable Assessed Valuation.....		\$2.26
Based on 2025 Preliminary Taxable Assessed Valuation.....		\$0.75
Based on Estimated Taxable Assessed Valuation as of April 1, 2025		\$0.72
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Maximum Annual Debt Service Requirement (2048) at 95% Tax Collections:		
Based on 2024 Certified Taxable Assessed Valuation.....		\$2.52
Based on 2025 Preliminary Taxable Assessed Valuation.....		\$0.83
Based on Estimated Taxable Assessed Valuation as of April 1, 2025		\$0.80

(a) Requirement of debt service on the Bonds and the Outstanding Bonds. See "DISTRICT DEBT—Debt Service Requirements."

OFFICIAL STATEMENT
FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 216

\$4,125,000
UNLIMITED TAX BONDS
SERIES 2025

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 216 (the “District”) of its \$4,125,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”).

The Bonds are issued pursuant to (i) the order adopted by the Board of Directors of the District on the date of the sale of the Bonds authorizing the issuance of the Bonds (the “Bond Order”), (ii) Acts of the 84th Legislature, Regular Session, 2015, codified as Chapter 8424 of the Texas Special District Local Laws Code (the “Act”), (iii) Article XVI, Section 59 of the Texas Constitution, (iv) the general laws of the State of Texas applicable to municipal utility districts, including Chapters 49 and 54 of the Texas Water Code, as amended, (v) an election held within the District on May 7, 2016, and (vi) an order issued by the Texas Commission on Environmental Quality (“TCEQ”).

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order. This Official Statement also includes information about the District, the Developer (herein defined) and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

RISK FACTORS

General

The Bonds are obligations solely of the District and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Fulshear, Texas (the “City”); or any political subdivision or entity other than the District. The Bonds are secured by the levy of an annual ad valorem tax, without legal limitation as to rate or amount, levied by the District on all taxable property located within the District. See “THE BONDS—Source and Security for Payment.” 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 and commercial retail industries, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors and Construction of Improvements: The rate of development within the District is directly related to the general economic conditions and demand of the single-family housing and commercial retail industries in the Houston region. New construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District.

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to

undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 35 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of Houston and the nation could adversely affect development and homebuilding plans in the District and restrain the growth or reduce the value of the District's property tax base.

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously owned single-family homes in more established commercial centers and neighborhoods. Such existing developments could represent additional competition for new development proposed to be constructed within the District. The competitive position of the Developer or the principal landowners in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, the Developer within the District may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See "THE DISTRICT" and "STATUS OF DEVELOPMENT."

Developer's Obligations to the District: 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 landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "STATUS OF DEVELOPMENT" and "THE DEVELOPER."

Dependence on Principal Taxpayers and the Developer: The Developer and other principal taxpayers represent approximately 33.07% (\$16,068,478) of the 2024 Certified Taxable Assessed Valuation, which represents ownership as of January 1, 2024. The Developer represents \$3,379,112 or approximately 6.95% of such value. If the Developer or other principal taxpayers were to 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 would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service funds. See "TAX DATA—Principal Taxpayers" and "TAXING PROCEDURES—Levy and Collection of Taxes."

Maximum Impact on District Tax Rate: Assuming no further development or construction of taxable improvements, the value of the land and other taxable property currently within the District will be the major determinant of the ability or willingness of property owners in the District to pay their taxes. The District's taxable assessed valuation as of January 1, 2024, is \$48,595,331, the preliminary taxable assessed valuation as of January 1, 2025, is \$147,668,916 and the estimated taxable assessed valuation as of April 1, 2025, is \$153,452,322. See "TAX DATA."

After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds (defined herein) will be \$1,162,850 (2048), and the average annual debt service requirement on the Bonds and the Outstanding Bonds will be \$1,040,764 (2025–2049). Based on the District's taxable assessed valuation as of January 1, 2024, and no use of funds on hand, a tax rate of \$2.52 per \$100 assessed valuation at

a 95% collection rate would be necessary to pay the maximum annual debt service requirement, and a tax rate of \$2.26 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. Based on the District's 2025 preliminary taxable assessed valuation, and no use of funds on hand, a tax rate of \$0.83 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement, and a tax rate of \$0.75 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. Based on the District's estimated taxable assessed valuation as of April 1, 2025, and no use of funds on hand, a tax rate of \$0.80 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement, and a tax rate of \$0.72 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. See "DISTRICT DEBT—Debt Service Requirements" 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. Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of property within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay ad valorem taxes levied by the District.

Operating Funds

The District has previously relied on advances from the Developer to pay for operating expenses that the District's primary sources of revenue, maintenance taxes and revenue from the Utility System, were insufficient to fund. The District levied a 2024 maintenance tax in the amount of \$1.35 per \$100 of taxable assessed valuation. Revenue from maintenance taxes and water and wastewater services may not be sufficient to offset the operating expenses of the District. Continued maintenance of a positive operating fund balance may depend upon (i) operating advances from the Developer, and (ii) continued development and increased amounts of revenue from maintenance taxes and water and wastewater services.

Vacant Developed Lots

Approximately 397 lots of the current 745 total developed lots in the District remain available for construction. Failure of the Developer to sell developed lots to homebuilders and for homebuilders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

Increase in Costs of Building Materials and Labor Shortages

As a result of low supply and high demand, shipping constraints, and the ongoing trade war (including tariffs and retaliatory tariffs), there have been substantial increases in the cost of lumber and other materials, causing many homebuilders and general contractors to experience budget overruns. Further, the federal administration's on-again, off-again tariffs, and the threatened impositions of tariffs may impact the ability of the homebuilders in the District to estimate costs. The federal administration's immigration policies may additionally impact the State's workforce, particularly in construction. Mass deportations or immigration policies that make it challenging for foreign workers to work in the United States may result in labor shortages that impact the homebuilders' ability to construct homes within the District. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values. The District makes no representations regarding the probability of development continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developer or homebuilders.

Potential Effects of Oil Price Fluctuations on the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively

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

Future Debt

At an election held within the District on May 7, 2016, voters of the District authorized the District's issuance of the following principal amounts of bonds: a total of a total of \$125,320,000 of unlimited tax bonds for the purpose of acquiring or constructing a waterworks, sanitary sewer, and drainage system serving the District (the "Utility System"); \$64,205,000 of unlimited tax bonds for the purpose of constructing or acquiring a road system serving the District (the "Road System"); a total of \$27,555,000 of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities to serve the District (the "Park System"); \$64,205,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; and \$152,875,000 of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System or for the Park System.

The Bonds represent the District's second series of bonds to be issued out of the \$125,320,000 in authorized unlimited tax bonds for the purpose of constructing or acquiring the Utility System. After the issuance of the Bonds, \$114,095,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and \$59,530,000 unlimited tax bonds for constructing or acquiring the Road System will remain authorized but unissued.

All of the remaining bonds described above, which have heretofore been authorized by the voters of the District, may be issued by the District from time to time as needed. In the Bond Order, the District reserves the right to issue the remaining authorized but unissued bonds and such additional bonds as may hereafter be approved by the voters of the District.

The District's issuance of the remaining unlimited tax bonds for the Utility System and for the Park System shall be subject to approval by the TCEQ. The District's issuance of the bonds for the purpose of constructing or acquiring the Road System, is not currently subject to approval of the TCEQ, however.

The District anticipates issuing its second series of unlimited tax bonds for the Road System in the 3rd quarter of 2025 with an estimated par amount of \$5,100,000.

According to the Developer, following the reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately \$57,000,000 for its expenditures to construct the Utility System, approximately \$8,500,000 for expenditures to construct the Park System, and approximately \$15,000,000 for expenditures to construct the Road System. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS—Issuance of Additional Debt."

Extreme Weather Events

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

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

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

National Weather Service Atlas 14 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.

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 Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) (“CGP”), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is

then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

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.

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 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 (6) months for commercial property and two (2) 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 (2) other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See “TAXING PROCEDURES.”

Registered Owners’ Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners of the Bonds (“Registered Owners”) have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon

from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

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

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of 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. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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

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

A district may not be placed into bankruptcy involuntarily.

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "LEGAL MATTERS—Tax Exemption."

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.

Future and Proposed Legislation

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

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025 and concluded on June 2, 2025. The Governor of Texas may call additional special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, elections, and other matters which could adversely affect the District and also affect the marketability or market value of the Bonds. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the provider of the Policy (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 of 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” 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 Order, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated July 1, 2025, with interest payable on March 1, 2026, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the date of delivery of the Bonds to the Initial Purchaser thereof (expected to be on or around July 10, 2025) (the “Date of Delivery”), and thereafter, from the most recent Interest Payment Date. The Bonds mature on September 1 in each of the years and in the principal amounts shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS” on the inside cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity.

The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry system described herein (“Registered Owners”). No physical delivery of the Bonds will be made to the purchasers thereof. See “BOOK-ENTRY-ONLY SYSTEM.” Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At an election held within the District on May 7, 2016, voters of the District authorized a total of \$125,320,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System (“Utility Bonds”).

The Bonds represent the District’s second series of Utility Bonds, and following the issuance of the Bonds, \$114,095,000 principal amount of Utility Bonds will remain authorized but unissued.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; the Act; Chapters 49 and 54 of the Texas Water Code, as amended; an election held within the District as described above; and an order of the TCEQ.

Source and Security for Payment

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

Funds

The Bond Order confirms the prior creation of the District's Bond Fund, including the sub-accounts which are used to separate funds received to pay debt service on Utility Bonds and Park Bonds (the “Bond Fund Utility Bond Account”) from funds received to pay debt service on Road Bonds (the “Bond Fund Road Bond Account”). The Bond Order also confirms the District's Construction Fund, including the sub-accounts which are used to separate proceeds from Utility Bonds and Park Bonds (the “Utility Construction Fund Account”) from the

proceeds of Road Bonds (the “Road Construction Fund Account”). An amount equal to twelve (12) months of interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Bond Fund Utility Bond Account. All remaining proceeds of the Bonds will be deposited in the Utility Construction Fund Account.

The proceeds from all taxes levied, appraised and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, into the Bond Fund Utility Bond Account. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and funds in the sub-accounts created in respect of Utility Bonds and Park Bonds are to be used for payment of debt service on the Bonds and any of the District’s duly authorized Utility Bonds, and Park Bonds whether heretofore, hereunder, or hereafter issued, payable in whole or part from taxes.

Amounts on deposit in the sub-accounts of the Bond Fund created in respect of Utility Bonds and Park Bonds 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 of the Districts duly authorized Utility Bonds, and Park Bonds whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due to or become due on Utility Bonds, and Park Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Bond Fund, including funds in a sub-account created in respect of Road Bonds, will not be allocated to the payment of the Bonds.

Outstanding Bonds

The District has previously issued one (1) series of bonds for the purpose of constructing or acquiring the Utility System and one (1) series of bonds for the purpose of constructing or acquiring the Road System. As of the Date of Delivery, \$11,775,000 principal amount of such previously issued bonds will remain outstanding (the “Outstanding Bonds”).

Short-Term Debt

In connection with the Bonds, the District issued its \$2,135,000 Bond Anticipation Note, Series 2024 (the “BAN”), dated November 13, 2024. The BAN matures on November 12, 2025, and accrues interest at a rate of 5.25% per annum, calculated on the basis of actual days elapsed and a 365 or 366-day year, as applicable. The District will use a portion of the proceeds from the sale of the Bonds to redeem the BAN.

Record Date

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

Redemption Provisions

Mandatory Redemption

The Bonds maturing on September 1, 2039 and 2049 (the “Term Bonds”), shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption on September 1 in each of the years, and in the principal amount set forth in the following schedule (with each such scheduled amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

<u>\$350,000 Term Bond Maturing on September 1, 2039</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2038	\$ 170,000
September 1, 2039 (Maturity)	\$ 180,000

\$580,000 Term Bond Maturing on September 1, 2049

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2048	\$ 285,000
September 1, 2049 (Maturity)	\$ 295,000

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

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds (including any Term Bonds) maturing on and after September 1, 2032, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2031, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the serial Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM." If less than all of the entire outstanding principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

Effects of Redemption

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

Method of Payment of Principal and Interest

The Board of Directors of the District (the "Board") has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds (the "Paying Agent/Registrar"). The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

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

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

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

Issuance of Additional Debt

At an election held within the District on May 7, 2016, voters of the District authorized the District's issuance of the following principal amounts of bonds: a total of \$125,320,000 of unlimited tax bonds for the Utility System; a total of \$64,205,000 of unlimited tax bonds for the Road System; a total of \$27,555,000 of unlimited tax bonds for the Park System; a total of \$152,875,000 of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System or for the Park System; and a total of \$64,205,000 principal amount of unlimited tax bonds for the purpose of refunding outstanding bonds issued by the District for the Road System. The District could authorize additional amounts for each of such purposes.

The Bonds represent the District's second series of unlimited tax bonds to be issued for the Utility System. After issuance of the Bonds, the following unlimited tax bonds will remain authorized but unissued: \$114,095,000 for constructing or acquiring the Utility System, \$59,530,000 for the Road System, \$27,555,000 for constructing or acquiring the Park System, and all of the unlimited tax bonds authorized for the purpose of refunding bonds issued by the District. The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose.

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

Financing Road Facilities

Pursuant to the provisions of the Texas Constitution, the Act, and Chapter 54 Texas Water Code, as amended, the District is authorized to develop and finance with property taxes certain road facilities following a successful District election to approve the issuance of road bonds payable from taxes. At an election held within the District on May 7, 2016, voters of the District authorized a total of \$64,205,000 principal amount of unlimited tax bonds for financing and constructing the Road System. The District has issued \$4,675,000 in Road Bonds from said authorization and could issue additional amounts. See “—Issuance of Additional Debt” herein and “RISK FACTORS—Future Debt.” Issuance of additional bonds for the Road System may dilute the security for the Bonds.

Financing Recreational Facilities

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

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

At the election held within the District on May 7, 2016, voters of the District authorized a total of \$27,555,000 in unlimited tax bonds for the purpose of acquiring or constructing the Park System and could authorize additional amounts. Issuance of unlimited tax bonds for the Park System could dilute the investment security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District may be annexed for full purposes by the City, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation.

If the District is annexed, the City must assume the District's assets and obligations (including the outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and, therefore, the District makes no representation that the City will ever attempt to annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval.

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

Remedies in Event of Default

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

Defeasance

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

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing

for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse the Developer for a portion of the costs of water, sewer and drainage improvements and related costs shown below. Additionally, proceeds from the sale of the Bonds will be used to reimburse the Developer for the portion of the improvements and related costs shown below that were not reimbursed by the proceeds of the BAN; pay developer interest; pay twelve (12) months of capitalized interest on the Bonds; pay BAN interest; and pay other certain costs associated with the issuance of the Bonds and the BAN.

The construction costs below were compiled by the Engineer (herein defined) and submitted to the TCEQ as part of the District's application to the TCEQ for approval to issue the Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor (herein defined). 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

Utility Construction, Engineering Related Costs, and Land Costs	\$ 3,205,073
Surplus Funds	(250,000)
TOTAL CONSTRUCTION COSTS	\$ 2,955,073

NON-CONSTRUCTION COSTS

Operating Expenses	\$ 200,000
Bond Discount	123,750
Capitalized Interest	203,981
Developer Interest	128,187
BAN Interest	<u>73,394</u>
TOTAL NON-CONSTRUCTION COSTS	\$ 729,312

ISSUANCE COSTS AND FEES

Issuance Costs and Professional Fees	\$ 359,252
State Regulatory Fees	14,438
Contingency (a)	<u>66,925</u>
TOTAL ISSUANCE COSTS AND FEES	\$ 440,615

TOTAL BOND ISSUE REQUIREMENT

\$ 4,125,000

(a) Represents the difference between the estimated and actual amounts of BAN Interest and capitalized interest.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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

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

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

accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

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, District or Paying Agent/Registrar, 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 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.

Use of Certain Terms in Other Sections of this Official Statement

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

DISTRICT DEBT

General

The following tables and calculations relate to the Bonds. The District and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property.

2024 Certified Taxable Assessed Valuation	\$ 48,595,331	(a)
2025 Preliminary Taxable Assessed Valuation	\$ 147,668,916	(b)
Estimated Taxable Assessed Valuation as of April 1, 2025	\$ 153,452,322	(c)

Direct Debt

The Outstanding Bonds.....	\$ 11,775,000
The Bonds	\$ <u>4,125,000</u>
Total.....	\$ 15,900,000

Estimated Overlapping Debt	\$ <u>5,184,798</u>	(d)
Total Direct and Estimated Overlapping Debt	\$ 21,084,798	(d)

Direct Debt Ratios:

As a Percentage of 2024 Certified Taxable Assessed Valuation	32.72	%
As a Percentage of 2025 Preliminary Taxable Assessed Valuation	10.77	%
As a Percentage of Estimated Taxable Assessed Valuation as of April 1, 2025	10.36	%

Direct and Estimated Overlapping Debt Ratios:

As a Percentage of 2024 Certified Taxable Assessed Valuation	43.39	%
As a Percentage of 2025 Preliminary Taxable Assessed Valuation	14.28	%
As a Percentage of Estimated Taxable Assessed Valuation as of April 1, 2025	13.74	%

Bond Fund Utility Bond Account Balance (as of May 7, 2025)	\$ 323,901	(e)
Utility Construction Fund Account Balance (as of May 7, 2025)	\$ 401,785	
Bond Fund Road Bond Account Balance (as of May 7, 2025)	\$ 242,187	(f)
Road Construction Fund Account Balance (as of May 7, 2025).....	\$ 49,389	
Operating Fund Account Balance (as of May 7, 2025).....	\$ 1,144,058	(g)

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- (a) Represents the taxable assessed valuation of all taxable property in the District as of January 1, 2024, as certified by the Fort Bend Central Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Represents the preliminary determination of the taxable value in the District as of January 1, 2025, provided by the Fort Bend Central Appraisal District. This preliminary value is subject to protest by the owners of taxable property in the District. No taxes will be levied on this preliminary value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Provided by the Fort Bend Central Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of April 1, 2025, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2024 through April 1, 2025. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (d) See "DISTRICT DEBT—Direct and Estimated Overlapping Debt Statement."
- (e) An additional twelve months of capitalized interest to be deposited into the Bond Fund Utility Bond Account (defined herein) upon closing of the Bonds. Neither Texas law nor the Bond Order (hereinafter defined) requires that the District maintain any particular sum in the Bond Fund (defined herein). Funds in the Bond Fund Utility Bond Account are pledged only to pay debt service on bonds issued for the Utility System and Park System and are not available to pay debt service on bonds issued for the Road System.
- (f) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Bond Fund Road Bond Account. Funds in the Bond Fund Road Bond Account are pledged only to pay debt service on bonds issued for the Road System and are not available to pay debt service on bonds issued for the Utility System, and Park System, including the Bonds.
- (g) See "RISK FACTORS—Operating Funds."

2024 Tax Rate		
Debt Service		\$0.100
Maintenance and Operations		<u>\$1.350</u>
Total.....		\$1.450
Average Annual Debt Service Requirement (2025–2049)	\$ 1,040,764	(a)
Maximum Annual Debt Service Requirement (2048).....	\$ 1,162,850	(a)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Average Annual Debt Service Requirement (2025–2049) at 95% Tax Collections:		
Based on 2024 Certified Taxable Assessed Valuation.....		\$2.26
Based on 2025 Preliminary Taxable Assessed Valuation		\$0.75
Based on Estimated Taxable Assessed Valuation as of April 1, 2025		\$0.72
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Maximum Annual Debt Service Requirement (2048) at 95% Tax Collections:		
Based on 2024 Certified Taxable Assessed Valuation.....		\$2.52
Based on 2025 Preliminary Taxable Assessed Valuation		\$0.83
Based on Estimated Taxable Assessed Valuation as of April 1, 2025		\$0.80

(a) Requirement of debt service on the Bonds and the Outstanding Bonds. See "DISTRICT DEBT—Debt Service Requirements."

Debt Service Requirements

The following schedule sets forth the debt service requirements on the Outstanding Bonds, and the principal and interest requirement on the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	Plus: The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2025	\$ 256,038	\$ -	\$ -	\$ -	\$ 256,038
2026	802,075	-	232,879	232,879	1,034,954
2027	798,975	95,000	203,981	298,981	1,097,956
2028	794,775	100,000	197,806	297,806	1,092,581
2029	789,625	105,000	191,306	296,306	1,085,931
2030	788,525	110,000	184,481	294,481	1,083,006
2031	781,175	120,000	177,331	297,331	1,078,506
2032	779,125	125,000	169,531	294,531	1,073,656
2033	783,725	130,000	162,656	292,656	1,076,381
2034	788,350	140,000	155,506	295,506	1,083,856
2035	792,200	145,000	149,556	294,556	1,086,756
2036	795,300	155,000	143,394	298,394	1,093,694
2037	802,394	160,000	136,806	296,806	1,099,200
2038	803,281	170,000	130,006	300,006	1,103,288
2039	813,394	180,000	122,356	302,356	1,115,750
2040	812,063	190,000	114,256	304,256	1,116,319
2041	814,663	195,000	105,706	300,706	1,115,369
2042	826,263	210,000	96,688	306,688	1,132,950
2043	826,463	220,000	86,713	306,713	1,133,175
2044	829,688	230,000	76,263	306,263	1,135,950
2045	836,663	240,000	65,338	305,338	1,142,000
2046	842,175	255,000	53,938	308,938	1,151,113
2047	846,238	270,000	41,825	311,825	1,158,063
2048	848,850	285,000	29,000	314,000	1,162,850
2049	-	295,000	14,750	309,750	309,750
Total	\$18,852,019	\$ 4,125,000	\$ 3,042,072	\$ 7,167,072	\$26,019,091

Average Annual Debt Service Requirement (2025–2049)\$1,040,764
Maximum Annual Debt Service Requirement (2048).....\$1,162,850

Direct and Estimated Overlapping Debt Statement

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or *Texas Municipal Reports* prepared by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes.

Taxing Jurisdiction	Outstanding Debt as of March 31, 2025	Percent	Overlapping Amount
Fort Bend County	\$ 1,043,973,859	0.04%	\$ 411,537
Fort Bend County Drainage District	21,645,000	0.04	8,627
Lamar Consolidated Independent School District	3,058,595	0.16	<u>4,764,634</u>
Total Estimated Overlapping Debt			\$ 5,184,798
The District			<u>\$ 15,900,000</u> (a)
<u>Total Direct & Estimated Overlapping</u>			<u>\$ 21,084,798</u>

(a) Includes the Bonds and the Outstanding Bonds.

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles.

In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required

to offer such an exemption if a majority of voters approve it at such election. For the 2024 tax year, the District has not granted any such exemptions.

The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or a first responder as defined under Texas law, who was (i) killed in action or (ii) fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

Tax Exemption Provided to Public Facility Corporations and Certain Lessees

Chapter 303 of the Texas Local Government Code (the "PFC Act") authorizes cities, counties, school districts, housing authorities and special districts (a "Sponsor") to create a sponsored Public Facility Corporation ("PFC") to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a "public facility" includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other

political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities. Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multifamily residential development entitles that user to this same exemption. The 88th Texas Legislature passed H.B. 2071, which became effective June 18, 2023, to amend the PFC Act. H.B. 2071 significantly revised the PFC Act's requirements for the lessee of a multifamily residential development to qualify for this exemption and provides that the exemption for such projects does not apply to taxes imposed by a conservation and reclamation district providing water, sewer or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H. B. 2071 are governed by the prior law and are not subject to the same requirements. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by a PFC.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2024 tax year, the District has not granted a general residential homestead exemption.

Valuation of Property for Taxation

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% 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.

District and Taxpayer Remedies

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

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

Agricultural, Open Space, Timberland and Inventory Deferment

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

According to the District's Tax Assessor/Collector, as of May 1, 2025, 46.365 acres of the land within the District are designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

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

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or thirty (30) days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the twenty-first (21st) day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty, and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax

collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances.

The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

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

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

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

Developing Districts: Districts that do not meet the classification of a Low Tax Rate District or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to

petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

The District: A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2025 tax year, the District was determined to be 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 against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see "TAX DATA—Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

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

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds, and any future tax-supported bonds that may be issued from time to time as authorized. See "TAXING PROCEDURES." The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and its available funds. The District also has the power and authority to assess, levy, and collect ad valorem taxes, not to exceed \$1.50 per \$100 of assessed valuation, for operation and maintenance purposes.

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for administrative expenses and maintenance of the District's water, sewer and drainage improvements, if such maintenance tax is authorized by a vote of the District's electorate. On May 7, 2016, voters of the District authorized the levy of such maintenance tax in an amount not to exceed \$1.50 per \$100 assessed valuation. Said tax may be levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds that may be issued in the future. For the 2024 tax year, the District levied a tax rate of \$1.35 for maintenance and operations per \$100 of assessed valuation.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount)
Maintenance and Operations:	\$1.50 per \$100 of Assessed Valuation.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2022-2024 tax years. The 2022 tax year was the first tax year in which the District levied a tax.

Tax Year (a)	Assessed Valuation	Tax Rate (b)	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 04/30/2025
2022	\$ 913,076	\$1.45	\$ 13,240	100.00%	2023	100.00%
2023	19,961,677	1.45	289,444	96.99%	2024	98.52%
2024	48,595,331	1.45	704,632	93.86%	2025	97.03%

(a) See "Tax Rate Distribution" herein.

(b) The District levied a 2024 total tax rate of \$1.45 per \$100 of assessed valuation. Such tax rate is composed of the following: a utility debt service tax rate of \$0.10 per \$100 of assessed valuation; and a maintenance and operations tax rate of \$1.35 per \$100 of assessed valuation. See "TAX DATA - Tax Rate Distribution."

Tax Rate Distribution

	2024	2023	2022
Debt Service	\$0.100	\$0.000	\$0.000
Maintenance and Operations	<u>\$1.350</u>	<u>\$1.450</u>	<u>\$1.450</u>
Total	\$1.450	\$1.450	\$1.450

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the 2022-2024 tax years by type of property. Please note that "Exemptions" below includes value of property that is exempt from taxation, namely the elementary school in the District.

Type of Property	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation	2022 Taxable Assessed Valuation
Land	\$ 33,389,373	\$ 19,810,971	\$ 984,650
Improvements	57,100,388	35,569,537	26,341,316
Personal Property	212,296	40,761	0
Exemptions	<u>(42,106,726)</u>	<u>(35,459,592)</u>	<u>(26,412,890)</u>
Total	\$ 48,595,331	\$ 19,961,677	\$ 913,076

Principal Taxpayers

The following represents the principal taxpayers, type of property, and the taxable assessed values according to the Appraisal District related to the District's 2024 Certified Taxable Assessed Valuation.

Taxpayer	Type of Property	Certified Assessed Valuation 2024 Tax Roll	Percentage of Assessed Valuation 2024 Tax Roll
Fulshear Lakes Ltd (a)	Land & Improvements	\$ 3,379,112	6.95%
Perry Homes LLC (b)	Land & Improvements	2,340,000	4.82%
SDH Houston LLC (b)	Land & Improvements	2,230,151	4.59%
Chesmar Homes LLC (b)	Land & Improvements	1,733,585	3.57%
HMH Lifestyles LP (b)	Land & Improvements	1,700,832	3.50%
Westin Homes & Properties LP (b)	Land & Improvements	1,608,592	3.31%
Century Land Holdings of Texas LLC	Land & Improvements	1,486,518	3.06%
Homeowner	Land & Improvements	545,499	1.12%
Banks Property Group LP	Land & Improvements	538,885	1.11%
Homeowner	Land & Improvements	505,304	1.04%
Total		\$ 16,068,478	33.07%

(a) See "THE DEVELOPER."

(b) See "STATUS OF DEVELOPMENT—Homebuilders Active within the District."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements for the Outstanding Bonds and the Bonds if no growth in the District occurs beyond the District's taxable assessed valuation as of January 1, 2024 (\$48,595,331), the District's 2025 Preliminary Assessed Valuation as of January 1, 2025 (\$147,668,916), and the District's estimated taxable assessed valuation as of April 1, 2025 (\$153,452,322). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement (2025–2049)	\$ 1,040,764
Tax Rate of \$2.26 on the 2024 Certified Assessed Valuation produces.....	\$ 1,043,342
Tax Rate of \$0.75 on the 2025 Preliminary Assessed Valuation produces	\$ 1,052,141
Tax Rate of \$0.72 on the Estimate of Value as of April 1, 2025 produces.....	\$ 1,049,614
Maximum Annual Debt Service Requirement (2048).....	\$ 1,162,850
Tax Rate of \$2.52 on the 2024 Certified Assessed Valuation produces.....	\$ 1,163,372
Tax Rate of \$0.83 on the 2025 Preliminary Assessed Valuation produces.....	\$ 1,164,369
Tax Rate of \$0.80 on the Estimate of Value as of April 1, 2025 produces.....	\$ 1,166,238

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 parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT—Direct and Estimated Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of all 2024 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdiction	2024 Tax Rate
The District	\$ 1.450000
Fort Bend County	0.412000
Fort Bend County Drainage District	0.010000
Fort Bend County Emergency Service District No. 4	0.098689
Lamar Consolidated Independent School District	<u>1.146900</u>
Total Tax Rate	\$ 3.117589

THE DISTRICT

General

The District is a municipal utility district created by the 86th Texas Legislature pursuant to Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of the Act, Chapters 49 and 54 of the Texas Water Code, as amended and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City, is subject to the continuing supervisory jurisdiction of the TCEQ.

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

The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City and filed in the real property records of Fort Bend County.

The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing road and firefighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District’s drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See “THE UTILITY SYSTEM.”

Description

The District was created pursuant to the Act.

Upon its creation, the District included approximately 503.983 acres of land. Subsequent to its creation, the District has annexed approximately 53.617 acres into boundaries, and currently, the District encompasses approximately 557.60 acres of land, all of which are located in Fort Bend County, Texas. The District has filed with the City of Fulshear a petition for consent to the annexation of approximately 71.66 acres, which petition has been approved by the City. To date, the District has not adopted an order annexing the land.

The District is located approximately 35 miles southwest of the central downtown business district of the City of Houston, Texas. The District lies wholly within the boundaries of the extraterritorial jurisdiction of the City and wholly within the boundaries of the Lamar Consolidated Independent School District. The District is bounded on the west and east by open land, on the north by Rogers Road, and on the south by Farm to Market 1093, which is the primary access road to the District.

Management of the District

The District is governed by the Board, which consists of five directors and has control and management supervision over all affairs of the District. All of the directors currently own property in the District. Directors are elected in May of even-numbered years for four-year staggered terms. The present members and officers of the Board and their positions are listed below:

Name	Position	Term Expires May
Phillip S. Froehlich	President	2026
Teresa Kelly	Vice President	2028
Harry A. Peyton	Secretary	2028
Pamela Fozounmayeh	Assistant Secretary	2026
Travis Benes	Assistant Secretary	2028

The District has contracted with the following companies to operate its facilities and perform certain other services:

Tax Assessor/Collector: The District's tax assessor/collector is Wheeler & Associates, Inc. (the "Tax Assessor/Collector"). The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Appraisal District and bills and collects such levy.

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

Operator: The District's water and sewer system is operated by Municipal Operations & Consulting, Inc.

Auditor: The financial statements of the District as of November 30, 2024, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein.

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

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

Disclosure Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel in connection with the issuance of the District's Bonds. The fees of Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Robert W. Baird & Co. Incorporated serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

STATUS OF DEVELOPMENT

Status of Development

Land within the District is being developed as the master-planned community of Fulshear Lakes. Completed residential development currently consists of approximately 745 single-family lots that have been developed within the following ten (10) subdivisions: Fulshear Lakes Creekside Village, Sections 1–4; Fulshear Lakes Lakeside Park, Sections 1–4; Fulshear Lakes Creekside, Section 6, and Fulshear Lakes Hillside Village, Section 1.

Fulshear Lakes Creekside Village, Sections 1–4, Fulshear Lakes Lakeside Park, Sections 1–4, Fulshear Lakes Creekside, Section 6, and Fulshear Lakes Hillside Village, Section 1 which contain a total of 745 single-family lots, were complete and available for homebuilding. As of April 1, 2025, such 745 single-family lots within the District included approximately 299 completed homes, approximately 49 homes under construction, and approximately 397 vacant, developed lots.

The District also includes a school site. In 2020, the Developer conveyed approximately 14.19 acres to Lamar Consolidated Independent School District. Lamar Consolidated Independent School District constructed an elementary school on the site that opened in 2022. The current or planned use for the balance of the land that is located within the District is shown in the table below.

	Section	Section	Homes	Homes	Vacant
Fulshear Lakes	Acreage(a)	Lots	Completed	Under Construction	Lots
Creekside Village Section 1	13.54	66	62	0	4
Creekside Village Section 2	20.04	78	65	13	0
Creekside Village Section 3	23.47	99	86	2	11
Creekside Village Section 4	12.99	74	58	6	10
Creekside Section 6	18.60	92	5	8	79
Lakeside Park Section 1	10.91	47	0	5	42
Lakeside Park Section 2	23.27	80	7	9	64
Lakeside Park Section 3	25.91	77	11	6	60
Lakeside Park Section 4	13.15	56	5	0	51
Hillside Village Section 1	18.40	76	0	0	76
Total Residential Developed	180.28	745	299	49	397
School Site	14.19				
Undevelopable	74.13				
Remaining Developable	289.00				
District Total Acreage	557.60				

(a) The complete residential sections encompass a total of approximately 242.10 acres, including approximately 180.28 acres for residential lots and roadways (internal streets) and approximately 61.82 acres for collector roads and for reserves related to open space, landscaping, utilities, and drainage (drainage reserves include but are not limited detention ponds within certain subdivisions).

Homebuilders Active within the District

Homebuilders active within the District include Anglia Homes, Chesmar Homes, Drees Custom Homes, HistoryMaker Homes, Sitterle Homes, Empire Communities, Smith Douglas Homes, Perry Homes, and Westin Homes. New homes being constructed in the District range in price from approximately \$300,000 to \$650,000 and in size from approximately 1,450 to 3,750 square feet.

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(May 2025)



THE DEVELOPER

The Role of a 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 utilities and streets to be constructed in the community, 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 commercial reserves to builders, developers, or other third parties. In certain instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage and recreational facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of its property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Description

The developer of land within the District is Fulshear Lakes, Ltd., a Texas limited partnership ("FLL" or the "Developer"), whose general partner is Fulshear Lakes GP, LLC, a Texas limited liability company. FLL was formed for the purpose of owning and developing land in the Fulshear Lakes community, and SY Fulshear Management, Ltd., an affiliate of Sam Yager Incorporated ("SYI"), is managing the development of Fulshear Lakes on behalf of FLL. SYI is a Houston-based mixed-use development company specializing primarily in single-family residential development. In addition to Fulshear Lakes, SYI has developed projects including, but not limited to: Audubon, Harper's Preserve, City Park, Kings Mill, Summer Lakes, Summer Park, Stone Crest, Lakecrest, Lakecrest Village, Lakecrest Park and Lakecrest Forest.

Currently, FLL is the owner of approximately 100 vacant developed lots in the District. Such 100 vacant developed lots include 77 lots in Fulshear Lakes Lakeside Park, Section 3, which are under contract for sale to a homebuilder.

In addition, FLL owns approximately 219 acres of land located in the District. Of such 219 acres, 56 acres are currently undergoing mass grading for the upcoming construction of utilities to serve additional residential subdivisions. The remaining balance of such 219 acres is available for expected future development.

The Developer is under no legal obligation to the District to develop any of such acreage available for future development according to any specific plan, timetable, or at all. Therefore, the District cannot predict when, or whether, any of such currently undeveloped acreage located within the District might be developed. In addition, following a conveyance by FLL in February 2024, XAG Group Fulshear Lakes LLC owns approximately 24.79 acres located within the District expected to be used for mixed use development.

The Developer is a single purpose entity formed and capitalized for the purpose of developing the land it owns within the District. The Developer is a limited partnership whose assets materially consist of the land it owns in the District and the receivables due from the District for development costs. See "Development Financing" below.

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, 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, homebuilders, geographic location, market conditions, and regulatory climate.

Development Financing

Developer has obtained an infrastructure development loan to fund certain improvements within the District. The loan will mature on November 15, 2027, and is secured by certain portions of land owned by Developer within the District along with receivables owed to Developer by the District. According to the Developer, it is in compliance with all material conditions of the loan.

Lot-Sales Contracts

The Developer has entered into lot-sales contracts with each of Anglia Homes, Chesmar Homes, HistoryMaker Homes, Sitterle Homes, Empire Communities, Smith Douglas Homes, Perry Homes and Westin Homes. The contracts for the sale of lots between the Developer and the builders require that earnest money be deposited with a title company and/or released to Developer, which is typically a percentage of the total price of the completed lots. The sales contracts establish a schedule for certain required lot purchases, with earnest money credit being given to the builders at lot closings based on terms stated in each contract. The Developer's primary remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money; however, in some cases, the Developer also has the right to enforce specific performance of a builder's obligations which includes, but it is not limited to, the purchase of lots. According to the Developer, each of the builders is in compliance with their respective lot-sales contract.

THE UTILITY SYSTEM

Regulation

According to the Engineer, the District's water distribution, wastewater collection and drainage facilities 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, the City of Fulshear, and the Fort Bend County Drainage District. According to the Engineer, the design of all such facilities has been approved by all required governmental agencies.

Utility Agreement

In June of 2022, the District, the City, and the Developer entered into an Amended and Restated Development and Wholesale Water Supply and Wastewater Services Agreement (the "Utility Agreement"). The Utility Agreement establishes the terms under which the City is to provide wholesale water supply and sanitary sewer treatment services to the District, fees charged by the City for capacity in its system and fees charged for monthly services, and the requirements of the parties related to the construction and operation of the facilities required to provide service to the District's customers.

In the Utility Agreement, the City agrees to allocate and make available to the District capacity in its water and wastewater facilities as required to serve 2,203 equivalent single-family connections ("ESFC") in the District. The Utility Agreement further provides for the capacity fee to be paid to the City for each ESFC of water supply capacity and each ESFC of wastewater treatment capacity.

Currently, the City has received capacity fees to serve 316 ESFCs in the District out of the 2,203 ESFC reserved for the District under the Utility Agreement. The District will finance future capacity fees and/or the Developer will advance to the City capacity fees as additional development occurs.

Under the Utility Agreement, the City passes through to the District the fees charged to the City by the Authority (hereinafter defined). As noted above, under the terms of the Utility Agreement, for each active connection in the District receiving service, the District is required to pay the City an amount equal to the fee charged by the City to its customers in the Authority for the services.

Under the terms of the Utility Agreement, the City agrees not to dissolve or attempt to dissolve the District until such time as (i) the Developer has installed certain public infrastructure necessary to service 95% of the developable acreage in the District and (ii) the Developer has been fully reimbursed by the District for the costs eligible for reimbursement associated with such public infrastructure.

Water Supply

The District is provided water from the City which obtains ground water from six groundwater wells which are permitted by the Fort Bend Subsidence District ("Subsidence District") all of which are operated by either the City or Fort Bend County Municipal Utility District No. 169.

Subsidence and Conversion to Surface Water Supply

The City's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the City.

In 2005, the Texas legislature created the North Fort Bend Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Fort Bend County and a small portion of Harris County. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees imposed on the City for groundwater pumped by the City), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the City, to convert from groundwater to surface water. The Authority currently charges the City, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the City, and the amount, if any, of surface water received from the Authority.

The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds through the year 2025 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total water demand of the water users within the Authority's GRP, beginning in the year 2014, which the Authority successfully accomplished; and (ii) limit groundwater withdrawals to no more than 40% of the total water demand of the water users within the Authority's GRP, beginning in the year 2027. If the Authority fails to comply with the above Subsidence District regulations, the Authority is subject to a disincentive fee penalty ("Disincentive Fees"), imposed by the Subsidence District for any groundwater withdrawn in excess of the Subsidence District's applicable groundwater withdraw limitation at that time, as applied to the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the City. If the City failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the City.

The District cannot predict the amount or level of fees and charges, which may be due to the Authority in the future, but anticipates that the City will continue passing such fees through to City customers (including customers within the District's boundaries). In addition, conversion to surface water could necessitate improvements to the water system conveyed to the City which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

Wastewater

The City provides wastewater treatment capacity to the District from its wastewater treatment plant facilities. The District is responsible for financing and constructing wastewater facilities required to collect and deliver wastewater for treatment.

The City currently owns and operates two wastewater treatment plants, one of which serves the District. The wastewater treatment plant serving the District has a total capacity of 500,000 gallons per day ("gpd") and is currently capable of serving 2,222 ESFCs.

Drainage

The District is located within the Bessie's Creek watershed. Storm water runoff is conveyed throughout the District by way of overland sheet flow to roadway curb inlets, into underground piped storm sewer systems, thence into manmade channels and detention ponds to Bessie's Creek.

Multiple drainage system improvements, such as an underground storm sewer drainage system and detention facilities, have been constructed and completed to serve development in the District. All platted subdivisions are primarily served with curb and gutter streets and underground storm sewers. Pavement is designed and constructed to direct water to a low point in the subdivision where the inlets and storm sewer system has been designed to accommodate the anticipated 100-year storm event. All other storm sewers upstream from this extreme event storm sewer system are designed to accommodate the anticipated 3-year storm event. All drainage facilities were designed in accordance with the minimum design criteria of the City and Fort Bend County Drainage District.

Floodplain

"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.

On January 29, 2021, the FIRM for the Fort Bend County (48157C0090L and 48157C0095L) show areas of the District adjacent to and within the 100-year floodplain according to the Federal Emergency Management Agency (FEMA). A Conditional Letter of Map Revision "CLOMR" was approved by FEMA in May 2017. Several LOMR-F applications have been approved by FEMA to serve areas within Fulshear Lakes Creekside Village Sections 1-4. The District may be required to elevate additional areas designated for future development and currently located within the 100-year flood plain. Therefore, future applications to the County Flood Plain Administrator as well as FEMA would be required.

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

The roads within the District are designed to varying widths in adherence to the standards set by Fort Bend County (the "County"), ensuring they can effectively handle the anticipated traffic demands once the property within the District is fully developed.

The Road System provides essential access for District residents to major thoroughfares and collectors along the boundaries of Farm to Market Road 1093 (FM 1093), Pool Hill Road, and Rogers Road. The District is committed to financing, designing, and constructing the Road System in phases as the development progresses. Upon completion and acceptance by the County, the County will assume ownership, operation, and

maintenance of the Road System. The District has no intention of maintaining or operating the roads once the County accepts them.

General Fund Operating Statement

The following sets forth in condensed form the results of the District's general operating fund for the District's fiscal years ended 2020 through 2024, prepared by the Financial Advisor for inclusion herein based on information obtained from the District's audited financial statements, reference to which is made for further and more complete information. See "APPENDIX A."

	Fiscal Year Ended				
	11/30/24	11/30/23	11/30/22	11/30/21	11/30/20
<u>Revenues</u>					
Property Taxes	\$ 281,798	\$ 13,239	\$ -	\$ -	\$ -
Water Service	202,597	77,787	23,487	-	-
Sewer Service	178,051	42,550	1,235	-	-
Regional Water Fee	128,291	47,575	18,265	-	-
Penalty and Interest	28,325	2,913	-	-	-
Tap Connection & Inspection Fees	414,450	307,170	-	368,881	-
Investment Income	1,256	35	625	55	485
Other Income	19,730	2,460	500	22	2,500
Total Revenues	\$1,254,498	\$ 493,729	\$ 44,112	\$ 368,958	\$ 2,985
<u>Expenditures</u>					
Service Operations					
Purchased Services	\$ 356,573	\$ 81,859	\$ 33,952	\$ -	\$ -
Regional Water Fee	134,630	51,388	14,219	-	-
Professional Fees	236,593	218,672	196,476	99,558	113,170
Contracted Services	172,711	83,254	42,377	11,012	5,751
Utilities	6,418	13,503	2,879	-	-
Repairs and Maintenance	230,957	145,366	21,611	741	-
Other Expenditures	70,255	41,834	25,897	10,220	8,641
Tap Connections	84,693	76,079	-	60,405	-
Capital Outlay	25,000	-	12,155	-	4,215
Purchase of Capacity	-	-	79,200	-	-
Debt Service Debt Issuances	-	9,000	-	-	-
Total Expenditures	\$1,317,830	\$ 720,955	\$ 428,766	\$ 181,936	\$ 131,777
Excess (Deficiency) of Revenues	\$ (63,332)	\$ (227,226)	\$ (384,654)	\$ 187,022	\$ (128,792)
<u>Other Financing Sources (Uses)</u>					
Interfund Transfer In	\$ 9,000	\$ -	\$ -	\$ -	\$ -
Developer Advances	\$ 201,000	\$ 219,500	\$ 53,000	\$ 169,700	\$ 192,200
Excess (Deficiency) of Revenues After Other Financing Sources (Uses)	\$ 146,668	\$ (7,726)	\$ (331,654)	\$ 356,722	\$ 63,408
Fund Balance Beginning of Period	\$ (16,248)	\$ (8,522)	\$ 323,132	\$ (33,590)	\$ (96,998)
Fund Balance End of Period	\$ 130,420	\$ (16,248)	\$ (8,522)	\$ 323,132	\$ (33,590)

LEGAL MATTERS

Legal Opinions

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

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

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

Legal Review

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

Tax Exemption

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

federal, state, or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

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

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

Not Qualified Tax-Exempt Obligations

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

The District has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code.

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount Bonds and Premium Bonds

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

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

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

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

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

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

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 Official Statement, as it may have been supplemented or amended through the date of sale.

NO-LITIGATION CERTIFICATE

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, 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 these agreements 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, as well as timely notice of specified events, to the Municipal Securities Rulemaking Board or any successor to its function as a repository (the "MSRB"), through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data to EMMA annually.

The information to be updated with respect to the District includes all quantitative financial information and operating data included under "DISTRICT DEBT" (except under the subheading "Direct and Estimated Overlapping Debt Statement"), "TAX DATA", and as "APPENDIX A." The District will update and provide this

information within six months after the end of each of its fiscal years ending in or after 2025. The District will provide the updated information to EMMA.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 of the United States Securities and Exchange Commission ("SEC"). The updated information will include audited financial statements, if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six-month period and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District, any of which reflect financial difficulties. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with 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 Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

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 material 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 registered 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 or the Developer, but only if the agreement, as amended, would have permitted an Initial Purchaser to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of such 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 third series of unlimited tax bonds to be issued by the District. The District is in compliance in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

GENERAL CONSIDERATIONS

General

The information contained in this Official Statement has been obtained primarily from the District’s records, the Engineer, the Developer, the Tax Assessor/Collector, the Appraisal District, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, orders 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 November 30, 2024, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A.”

Updating of Official Statement

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

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity 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 of, or 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.

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 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. 216 as of the date shown on the first page hereof.

/s/ Phillip S. Froehlich
President, Board of Directors
Fort Bend County Municipal Utility District No. 216

ATTEST:

/s/ Harry A. Peyton
Secretary, Board of Directors
Fort Bend County Municipal Utility District No. 216

APPENDIX A
INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS OF THE DISTRICT



Fort Bend County Municipal Utility District No. 216 Fort Bend County, Texas

Independent Auditor's Report and Financial Statements

November 30, 2024



Fort Bend County Municipal Utility District No. 216
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November 30, 2024

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Independent Auditor's Report

Board of Directors
Fort Bend County Municipal Utility District No. 216
Fort Bend County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 216 (the District), as of and for the year ended November 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of November 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

**Houston, Texas
April 11, 2025**

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2024	2023
Current and other assets	\$ 3,805,516	\$ 269,331
Capital assets	35,651,312	11,174,847
Total assets	<u>\$ 39,456,828</u>	<u>\$ 11,444,178</u>
Long-term liabilities	\$ 60,374,686	\$ 15,364,963
Other liabilities	937,320	276,832
Total liabilities	<u>61,312,006</u>	<u>15,641,795</u>
Deferred inflows of resources	<u>698,824</u>	<u>8,747</u>
Net position:		
Net investment in capital assets	(3,323,989)	353,740
Restricted	5,856	-
Unrestricted	<u>(19,235,869)</u>	<u>(4,560,104)</u>
Total net position	<u>\$ (22,554,002)</u>	<u>\$ (4,206,364)</u>

The total net position of the District decreased by \$18,347,638, or about 436%. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for maintenance, depreciation on the District's capital assets and the purchase of capacity from the City of Fulshear.

Summary of Changes in Net Position

	2024	2023
Revenues:		
Property taxes	\$ 288,731	\$ 13,239
Charges for services	508,939	167,912
Other revenues	476,740	312,578
Total revenues	1,274,410	493,729
Expenses:		
Services	1,618,595	711,955
Conveyance of capital assets	14,905,727	3,104,280
Depreciation	733,468	217,632
Debt service	1,151,529	9,000
Purchase of capacity	1,212,729	-
Total expenses	19,622,048	4,042,867
Change in net position	(18,347,638)	(3,549,138)
Net position, beginning of year	(4,206,364)	(657,226)
Net position, end of year	<u>\$ (22,554,002)</u>	<u>\$ (4,206,364)</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended November 30, 2024, were \$2,253,851, an increase of \$2,270,099 from the prior year.

The general fund's fund balance increased by \$146,668, primarily due to property tax revenues, service and tap connection and inspection fees revenues and advances received from the District's developer exceeding service operation expenditures.

The debt service fund's fund balance increased by \$775,155 due to proceeds received from the sales of the Series 2024 and 2024 Road bonds.

The capital projects fund's fund balance increased by \$1,348,276 due to proceeds received from the sales of the Series 2024 and 2024 Road bonds and Series 2023 and 2024 bond anticipation notes exceeding capital outlay expenditures and associated debt issuance costs, retirement of the Series 2023 bond anticipation note and repayment of developer advances.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to water and sewer service revenues, tap connection and inspection fees

revenues and purchased services expenditures being greater than anticipated and capital outlay expenditures being less than anticipated. The fund balance (deficit) as of November 30, 2024, was expected to be \$(16,248) and the actual end-of-year fund balance was \$130,420.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 5,551,946	\$ 2,053,397
Water facilities	3,715,894	1,083,833
Wastewater facilities	6,202,385	1,760,964
Drainage facilities	<u>20,181,087</u>	<u>6,276,653</u>
 Total capital assets	 <u><u>\$ 35,651,312</u></u>	 <u><u>\$ 11,174,847</u></u>

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

Water, sewer and drainage facilities to serve Fulshear Lakes Lakeside Park, Sections 1, 2 and 4, Fulshear Lakes Creekside Village Sections 3, 4 and 6, and Fulshear Lakes Way Phase II, and Lou Waters Parkway, Phase 1	\$ 14,792,599
Lift station Nos. 1 and 2	1,344,740
Lift station Flygt pump control panel	25,000
Drainage facilities, Phase 2	5,549,045
Land additions to serve Fulshear School Road and School Hill Road street dedication Reserve A, lift station No. 2, Creekside Village, Section 6, Reserve E, East detention pond, West detention pond and Creekside Village, Section 2, Reserve K	<u>3,498,549</u>
 Total additions to capital assets	 <u><u>\$ 25,209,933</u></u>

The developer of the District has constructed underground facilities and road facilities on behalf of the District. The District has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission, as applicable. The District's engineer estimates reimbursable costs for completed projects to be \$46,222,590. These amounts have been recorded in the financial statements as long-term liabilities.

Debt

The changes in the debt position of the District during the fiscal year ended November 30, 2024, are summarized as follows.

Long-term debt payable, beginning of year	\$ 15,364,963
Increases in long-term debt	50,912,193
Decreases in long-term debt	<u>(5,902,470)</u>
Long-term debt payable, end of year	<u>\$ 60,374,686</u>

At November 30, 2024, the District had \$118,220,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District, \$27,555,000 of unlimited tax bonds authorized, but unissued, for the purposes of constructing parks and recreational facilities and \$59,530,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing road and paving facilities.

The District's bonds do not carry an underlying rating. The Road Series 2024 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Contingencies

The developer of the District is constructing water, sewer, drainage and road and paving facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, as applicable. The District's engineer has stated that current construction contract amounts are approximately \$9,318,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Economic Dependency

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

Since inception, the developer has advanced \$594,450 to the District for operations, net of repayments. These advances have been recorded as liabilities in the government-wide financial statements.

Relationship to the City of Fulshear

The District and its developer have entered into a contract with the City of Fulshear, Texas (the City) for development and wholesale water supply and wastewater services. The District has extended water and sewer lines in order to connect to the City's water and sewer system. The City has granted the District credits equal to the costs related to design and construction against water and sewer capacity fees. Also, pursuant to such agreement, these facilities have been conveyed to the City for ownership and maintenance. Under the current terms of the agreement, which was amended and restated in June 2022, and subject to the payment of certain capacity fees, the City will provide water supply and wastewater treatment services to the District and the District will pay the City for the same at a rate equal to 1.10 times the City's current rates for in-City customers.

Fort Bend County Municipal Utility District No. 216
Statement of Net Position and Governmental Fund Balance Sheet
November 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 398,794	\$ -	\$ 490	\$ 399,284	\$ -	\$ 399,284
Short-term investments	402,915	775,155	1,363,690	2,541,760	-	2,541,760
Receivables:						
Property taxes	646,514	48,195	-	694,709	-	694,709
Service accounts	164,953	-	-	164,953	-	164,953
Due from others	4,810	-	-	4,810	-	4,810
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	5,551,946	5,551,946
Infrastructure	-	-	-	-	30,099,366	30,099,366
Total assets	\$ 1,617,986	\$ 823,350	\$ 1,364,180	\$ 3,805,516	\$ 35,651,312	\$ 39,456,828
Liabilities						
Accounts payable	\$ 293,724	\$ -	\$ 15,904	\$ 309,628	\$ -	\$ 309,628
Accrued interest payable	-	-	-	-	91,412	91,412
Customer deposits	114,152	-	-	114,152	-	114,152
Due to others	348,578	-	-	348,578	-	348,578
Unearned tap connection fees	73,550	-	-	73,550	-	73,550
Long-term liabilities, due after one year	-	-	-	-	60,374,686	60,374,686
Total liabilities	830,004	-	15,904	845,908	60,466,098	61,312,006
Deferred Inflows of Resources						
Deferred property tax revenues	657,562	48,195	-	705,757	(6,933)	698,824
Fund Balances/Net Position						
Fund balances:						
Restricted:						
Unlimited tax bonds	-	775,155	-	775,155	(775,155)	-
Water, sewer and drainage	-	-	1,291,849	1,291,849	(1,291,849)	-
Roads	-	-	56,427	56,427	(56,427)	-
Unassigned	130,420	-	-	130,420	(130,420)	-
Total fund balances	130,420	775,155	1,348,276	2,253,851	(2,253,851)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 1,617,986	\$ 823,350	\$ 1,364,180	\$ 3,805,516		
Net position:						
Net investment in capital assets					(3,323,989)	(3,323,989)
Restricted for capital projects					5,856	5,856
Unrestricted					(19,235,869)	(19,235,869)
Total net position					\$ (22,554,002)	\$ (22,554,002)

Fort Bend County Municipal Utility District No. 216
Statement of Activities and Governmental Fund Revenues,
Expenditures and Changes in Fund Balances
Year Ended November 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 281,798	\$ -	\$ -	\$ 281,798	\$ 6,933	\$ 288,731
Water service	202,597	-	-	202,597	-	202,597
Sewer service	178,051	-	-	178,051	-	178,051
Regional water fee	128,291	-	-	128,291	-	128,291
Penalty and interest	28,325	-	-	28,325	-	28,325
Tap connection and inspection fees	414,450	-	-	414,450	-	414,450
Investment income	1,256	7,043	5,936	14,235	-	14,235
Other income	19,730	-	-	19,730	-	19,730
Total revenues	1,254,498	7,043	5,936	1,267,477	6,933	1,274,410
Expenditures/Expenses						
Service operations:						
Purchased services	356,573	-	-	356,573	-	356,573
Regional water fee	134,630	-	-	134,630	-	134,630
Professional fees	236,593	-	-	236,593	303,394	539,987
Contracted services	172,711	-	-	172,711	10,867	183,578
Utilities	6,418	-	-	6,418	-	6,418
Repairs and maintenance	230,957	-	-	230,957	-	230,957
Other expenditures	70,255	-	80	70,335	11,424	81,759
Tap connections	84,693	-	-	84,693	-	84,693
Capital outlay	25,000	-	10,123,253	10,148,253	(10,148,253)	-
Conveyance of capital assets	-	-	-	-	14,905,727	14,905,727
Purchase of capacity	-	-	-	-	1,212,729	1,212,729
Depreciation	-	-	-	-	733,468	733,468
Debt service:						
Principal retirement	-	-	4,720,000	4,720,000	(4,720,000)	-
Interest and fees	-	-	205,789	205,789	232,618	438,407
Debt issuance costs	-	-	713,122	713,122	-	713,122
Total expenditures/expenses	1,317,830	-	15,762,244	17,080,074	2,541,974	19,622,048
Excess (Deficiency) of Revenues Over Expenditures	(63,332)	7,043	(15,756,308)	(15,812,597)	(2,535,041)	
Other Financing Sources (Uses)						
Interfund transfers in (out)	9,000	-	(9,000)	-	-	-
Repayment of developer advances	-	-	(395,950)	(395,950)	395,950	-
Developer advances received	201,000	-	-	201,000	(201,000)	-
General obligation bonds issued	-	768,112	11,006,888	11,775,000	(11,775,000)	-
Discount on debt issued	-	-	(352,354)	(352,354)	352,354	-
Bond anticipation notes issued	-	-	6,855,000	6,855,000	(6,855,000)	-
Total other financing sources	210,000	768,112	17,104,584	18,082,696	(18,082,696)	-
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	146,668	775,155	1,348,276	2,270,099	(2,270,099)	
Change in Net Position					(18,347,638)	(18,347,638)
Fund Balance (Deficit)/Net Position						
Beginning of year	(16,248)	-	-	(16,248)	-	(4,206,364)
End of year	\$ 130,420	\$ 775,155	\$ 1,348,276	\$ 2,253,851	\$ -	\$ (22,554,002)

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

Fort Bend County Municipal Utility District No. 216 (the District) was created by an act of the 84th Texas Legislature, effective May 15, 2015. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the Commission). The principal functions of the District are to finance, construct, own and operate waterworks, wastewater, drainage, parks and recreational, and road and paving facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

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

Fort Bend County Municipal Utility District No. 216
Notes to Financial Statements
November 30, 2024

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of

accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Any collections on the current year tax levy are deferred and recognized in the subsequent fiscal year. Current year revenues recognized are those taxes collected during the fiscal year for prior years' tax levies, plus any collections received during fiscal 2023 on the 2023 levy.

Fort Bend County Municipal Utility District No. 216
Notes to Financial Statements
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In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District’s fiscal year ended November 30, 2024, the tax levied in October 2024 is recorded as receivable and deferred inflows of resources and will be considered earned during the fiscal year ending November 30, 2025. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

Within Fort Bend County, the county government assumes the responsibility for the maintenance and other incidents of ownership of most road facilities constructed by the District. Accordingly, these assets are not reported in the financial statements of the District.

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

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45

Debt Issuance Costs

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

Long-Term Obligations

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

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

Net Position/Fund Balances

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

Fort Bend County Municipal Utility District No. 216
Notes to Financial Statements
November 30, 2024

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

Reconciliation of Government-Wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 35,651,312
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	6,933
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(91,412)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(60,374,686)</u>
Adjustment to fund balance to arrive at net position.	<u><u>\$ (24,807,853)</u></u>

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

Change in fund balances.	\$ 2,270,099
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense, conveyance of capital assets, purchase of capacity and noncapitalized costs exceeded capital outlay expenditures in the current period.	(7,029,356)
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	194,950
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	352,354
Governmental funds report proceeds from the sales of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	(13,910,000)

Fort Bend County Municipal Utility District No. 216
Notes to Financial Statements
November 30, 2024

Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	\$ 6,933
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(232,618)</u>
Change in net position of governmental activities.	<u>\$ (18,347,638)</u>

Note 2. Deposits, Investments and Investment Income

Deposits

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

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

At November 30, 2024, none of the District’s bank balances were exposed to custodial credit risk.

Investments

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

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

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

At November 30, 2024, the District had the following investments and maturities.

Fort Bend County Municipal Utility District No. 216
Notes to Financial Statements
November 30, 2024

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 2,541,760	\$ 2,541,760	\$ -	\$ -	\$ -

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At November 30, 2024, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at November 30, 2024, as follows:

Carrying value:	
Deposits	\$ 399,284
Investments	2,541,760
Total	\$ 2,941,044

Investment Income

Investment income of \$14,235 for the year ended November 30, 2024, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of November 30, 2024:

- Pooled investments of \$2,541,760 are valued at fair value per share of the pool's underlying portfolio.

Note 3. Capital Assets

A summary of changes in capital assets for the year ended November 30, 2024, is presented as follows:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 2,053,397	\$ 3,498,549	\$ 5,551,946

Fort Bend County Municipal Utility District No. 216
Notes to Financial Statements
November 30, 2024

Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, depreciable:			
Water production and distribution facilities	\$ 1,118,419	\$ 2,717,299	\$ 3,835,718
Wastewater collection and treatment facilities	1,838,889	4,627,391	6,466,280
Drainage facilities	6,434,997	14,366,694	20,801,691
Total capital assets, depreciable	9,392,305	21,711,384	31,103,689
Less accumulated depreciation:			
Water production and distribution facilities	(34,586)	(85,238)	(119,824)
Wastewater collection and treatment facilities	(77,925)	(185,970)	(263,895)
Drainage facilities	(158,344)	(462,260)	(620,604)
Total accumulated depreciation	(270,855)	(733,468)	(1,004,323)
Total governmental activities, net	\$ 11,174,847	\$ 24,476,465	\$ 35,651,312

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended November 30, 2024, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ -	\$ 11,775,000	\$ -	\$ 11,775,000	\$ -
Less discounts on bonds	-	352,354		352,354	-
	-	11,422,646	-	11,422,646	-
Bond anticipation notes	-	6,855,000	4,720,000	2,135,000	-
Due to developer, advances	789,400	201,000	395,950	594,450	-
Due to developer, construction	14,575,563	32,433,547	786,520	46,222,590	-
Total governmental activities long-term liabilities	\$ 15,364,963	\$ 50,912,193	\$ 5,902,470	\$ 60,374,686	\$ -

Fort Bend County Municipal Utility District No. 216
Notes to Financial Statements
November 30, 2024

General Obligation Bonds

	Series 2024	Road Series 2024
Amounts outstanding, November 30, 2024	\$7,100,000	\$4,675,000
Interest rates	4.00% to 6.50%	3.50% to 6.00%
Maturity dates, serially beginning/ending	September 1, 2026/2048	September 1, 2026/2048
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2030	September 1, 2030

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at November 30, 2024:

Year	Principal	Interest	Total
2025	\$ -	\$ 476,035	\$ 476,035
2026	290,000	512,076	802,076
2027	305,000	493,974	798,974
2028	320,000	474,776	794,776
2029	335,000	454,624	789,624
2030-2034	1,940,000	1,980,901	3,920,901
2035-2039	2,450,000	1,556,568	4,006,568
2040-2044	3,085,000	1,006,138	4,091,138
2045-2048	3,050,000	323,925	3,373,925
Total	<u>\$ 11,775,000</u>	<u>\$ 7,279,017</u>	<u>\$ 19,054,017</u>

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

Bonds voted:

Water, sewer and drainage facilities	\$ 125,320,000
Water, sewer and drainage facilities sold	7,100,000
Parks and recreational facilities	27,555,000
Road facilities	64,205,000
Road facilities bonds sold	4,675,000
Refunding bonds voted	217,080,000

Due to Developer

The developer of the District has constructed underground facilities and road facilities on behalf of the District. The District has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission, as applicable. The District's engineer estimates reimbursable costs for completed projects to be \$46,222,590. These amounts have been recorded in the financial statements as long-term liabilities.

Bond Anticipation Notes

On December 13, 2023, the District sold its Series 2023 bond anticipation note in the amount of \$4,720,000. The note is dated December 13, 2023, bears interest at the rate of 6.17%, and matures December 11, 2024, unless called for early redemption. The Note was redeemed with proceeds from the sale of the Series 2024 bonds.

On November 13, 2024, the District sold its Series 2024 bond anticipation note in the amount of \$2,135,000. The note is dated November 13, 2024, bears interest at the rate of 5.25%, and matures November 12, 2025, unless called for early redemption.

Note 5. Significant Bond Order and Commission Requirements

- (A) The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended November 30, 2024, the District levied an ad valorem utility debt service tax at the rate of \$0.1000 per \$100 of assessed valuation, which resulted in a tax levy of \$48,195 on the taxable valuation of \$48,194,752 for the 2024 tax year. The interest requirements to be paid from tax revenues and available resources are \$317,905.

The Road Bond Order requires that the District levy and collect an ad valorem road debt service tax sufficient to pay interest and principal on bonds when due. During the year ended November 30, 2024, the District did not levy an ad valorem road debt service tax for the 2024 tax year. The interest requirements to be paid from available resources are \$158,130.

- (B) In accordance with the Series 2024 and Road Series 2024 Bond Orders, a portion of the bond proceeds were deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year		\$	-
Additions--Interest appropriated from bond proceeds:			
Series 2024	\$	471,619	
Road Series 2024		296,494	768,113
			<u>768,113</u>
Bond interest reserve, end of year		\$	<u>768,113</u>

Note 6. Maintenance Taxes

At an election held May 7, 2016, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended November 30, 2024, the District levied an ad valorem maintenance tax at the rate of \$1.3500 per \$100 of assessed valuation, which resulted in a tax levy of \$650,629 on the taxable valuation of \$48,194,752 for the 2024 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Risk Management

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

Note 8. Contingencies

The developer of the District is constructing water, sewer, drainage, and road and paving facilities within the boundaries of the District. The District has agreed to reimburse the developer for these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, as applicable. The District's engineer has stated that current construction contract amounts are approximately \$9,318,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 9. Economic Dependency

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

Since inception, the developer has advanced \$594,450 to the District for operations, net of repayments. These advances have been recorded as long-term liabilities in the government-wide financial statements.

Note 10. Contracts with Others

During a prior year, the District entered into an escrow agreement with Lamar Consolidated Independent School District (LCISD). LCISD deposited \$794,890 with the District to pay for its portion of the design and construction of Collector Road A and certain traffic control costs. In addition, during a prior year, LCISD deposited \$234,214 with the District to pay for its portion of the design and construction of the Collector Road A extension. During the prior year, LCISD also deposited an additional \$191,057 with the District. The District has deposited the funds in a pooled investment account.

Water Supply and Wastewater Services Agreement

On December 29, 2014, the District's developer entered into an agreement with the City of Fulshear, Texas (the City) for development and wholesale water supply and wastewater services. The District subsequently became a party to this agreement upon its creation. The agreement was amended and restated in June 2022. Water supply and wastewater services are to be provided to approximately 504 acres of land within the boundaries of the District. The District has extended water and sewer lines in order to connect to the City's water and sewer system. The City has granted the District credits equal to the costs related to design and construction against water and sewer capacity fees. Also, pursuant to such agreement, these facilities will be conveyed to the City for ownership and maintenance. Under the current terms of the agreement, and subject to the payment of certain capacity fees, the City will provide water supply and wastewater treatment services to the District and the District will pay the City for the same at a rate equal to 1.10 times the City's current rates for in-City customers.

Required Supplementary Information

Fort Bend County Municipal Utility District No. 216
Budgetary Comparison Schedule – General Fund
Year Ended November 30, 2024

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 238,064	\$ 281,798	\$ 43,734
Water service	100,000	202,597	102,597
Sewer service	110,000	178,051	68,051
Regional water fee	80,000	128,291	48,291
Penalty and interest	2,500	28,325	25,825
Tap connection and inspection fees	308,500	414,450	105,950
Investment income	40	1,256	1,216
Other income	2,000	19,730	17,730
Total revenues	841,104	1,254,498	413,394
Expenditures			
Service operations:			
Purchased services	144,000	356,573	(212,573)
Regional water fee	80,000	134,630	(54,630)
Professional fees	178,900	236,593	(57,693)
Contracted services	153,500	172,711	(19,211)
Utilities	15,000	6,418	8,582
Repairs and maintenance	190,000	230,957	(40,957)
Other expenditures	65,030	70,255	(5,225)
Tap connections	85,500	84,693	807
Capital outlay	125,000	25,000	100,000
Total expenditures	1,036,930	1,317,830	(280,900)
Deficiency of Revenues Over Expenditures	(195,826)	(63,332)	132,494
Other Financing Sources			
Interfund transfers in	-	9,000	9,000
Developer advances	195,826	201,000	5,174
Total other financing sources	195,826	210,000	14,174
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	146,668	146,668
Fund Balance (Deficit), Beginning of Year	(16,248)	(16,248)	-
Fund Balance (Deficit), End of Year	\$ (16,248)	\$ 130,420	\$ 146,668

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2024.

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

Supplementary Information

Fort Bend County Municipal Utility District No. 216
Other Schedules Included Within This Report
November 30, 2024

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 10-20
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund
- [X] Board Members, Key Personnel and Consultants

Fort Bend County Municipal Utility District No. 216
Schedule of Services and Rates
Year Ended November 30, 2024

1. Services provided by the District:

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

2. Retail service providers:

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	\$ 18.48	5,000	N	\$ 3.81	5,001 to 10,000
				\$ 5.18	10,001 to 20,000
				\$ 6.56	20,001 to 30,000
				\$ 7.93	30,001 to No Limit
Wastewater:	\$ 39.86	5,000	N	\$ 11.77	5,001 to No Limit
Regional water fee:	\$ 4.55	-	N	\$ 4.55	1,001 to No Limit

Does the District employ winter averaging for wastewater usage?

Yes ☐ No ☒

Total charges per 10,000 gallons usage (including fees):

Water \$ 83.03

Wastewater \$ 98.71

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	340	330	x1.0	330
1"	2	2	x2.5	5
1 1/2"	2	2	x5.0	10
2"	2	2	x8.0	16
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	1	1	x80.0	80
10"	1	1	x115.0	115
Total water	348	338		556
Total wastewater	344	334	x1.0	334

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

Gallons pumped into the system:	28,768
Gallons billed to customers:	26,738
Water accountability ratio (gallons billed/gallons pumped):	92.94%

*"ESFC" means equivalent single-family connections

Fort Bend County Municipal Utility District No. 216
Schedule of General Fund Expenditures
Year Ended November 30, 2024

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	17,900	
Legal		201,305	
Engineering		17,388	
Financial advisor		-	236,593
Purchased Services for Resale			
Bulk water and wastewater service purchases			356,573
Regional Water Fee			134,630
Contracted Services			
Bookkeeping		63,536	
General manager		-	
Appraisal district		-	
Tax collector		12,981	
Security		-	
Other contracted services		67,889	144,406
Utilities			6,418
Repairs and Maintenance			230,957
Administrative Expenditures			
Directors' fees		11,934	
Office supplies		6,674	
Insurance		9,799	
Other administrative expenditures		41,848	70,255
Capital Outlay			
Capitalized assets		25,000	
Expenditures not capitalized		-	25,000
Tap Connection Expenditures			84,693
Solid Waste Disposal			28,305
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			-
Total expenditures		\$	<u>1,317,830</u>

Fort Bend County Municipal Utility District No. 216
Schedule of Temporary Investments
November 30, 2024

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
General Fund				
Texas CLASS	4.82%	Demand	\$ 389,743	\$ -
Texas CLASS	4.82%	Demand	13,172	-
			<u>402,915</u>	<u>-</u>
Debt Service Fund				
Texas CLASS	4.82%	Demand	477,958	-
Texas CLASS	4.82%	Demand	297,197	-
			<u>775,155</u>	<u>-</u>
Capital Projects Fund				
Texas CLASS	4.82%	Demand	259,967	-
Texas CLASS	4.82%	Demand	56,427	-
Texas CLASS	4.82%	Demand	1,047,296	-
			<u>1,363,690</u>	<u>-</u>
Totals			<u>\$ 2,541,760</u>	<u>\$ -</u>

Fort Bend County Municipal Utility District No. 216
Analysis of Taxes Levied and Receivable
Year Ended November 30, 2024

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 8,733	\$ -
Additions and corrections to prior years' taxes	279,984	-
Adjusted receivable, beginning of year	288,717	-
2024 Original Tax Levy	658,655	48,789
Additions and corrections	(8,026)	(594)
Adjusted tax levy	650,629	48,195
Total to be accounted for	939,346	48,195
Tax collections: Current year	(10,286)	(762)
Prior years	(281,784)	-
Receivable, end of year	<u>\$ 647,276</u>	<u>\$ 47,433</u>
Receivable, by Years		
2024	\$ 640,343	\$ 47,433
2023	6,933	-
Receivable, end of year	<u>\$ 647,276</u>	<u>\$ 47,433</u>

Fort Bend County Municipal Utility District No. 216
Analysis of Taxes Levied and Receivable
Year Ended November 30, 2024

(Continued)

	2024	2023	2022
Property Valuations			
Land	\$ 30,868,910	\$ 19,810,971	\$ 984,650
Improvements	56,940,588	35,569,537	26,341,316
Personal property	143,337	40,761	-
Exemptions	(39,758,083)	(35,451,044)	(26,412,890)
	<u>\$ 48,194,752</u>	<u>\$ 19,970,225</u>	<u>\$ 913,076</u>
Tax Rates per \$100 Valuation			
Debt service tax rates	\$ 0.1000	\$ -	\$ -
Maintenance tax rates*	<u>1.3500</u>	<u>1.4500</u>	<u>1.4500</u>
	<u>\$ 1.4500</u>	<u>\$ 1.4500</u>	<u>\$ 1.4500</u>
Tax Levy	<u>\$ 698,824</u>	<u>\$ 289,568</u>	<u>\$ 13,240</u>
Percent of Taxes Collected to Taxes Levied**	<u>2%</u>	<u>98%</u>	<u>100%</u>

*Maximum tax rate approved by voters: \$1.50 on May 7, 2016

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

Fort Bend County Municipal Utility District No. 216
Schedule of Long-Term Debt Service Requirements by Years
November 30, 2024

Due During Fiscal Years Ending November 30	Series 2024		
	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ -	\$ 317,905	\$ 317,905
2026	170,000	314,413	484,413
2027	180,000	303,362	483,362
2028	190,000	291,663	481,663
2029	200,000	279,312	479,312
2030	210,000	266,313	476,313
2031	220,000	252,662	472,662
2032	230,000	243,863	473,863
2033	240,000	234,662	474,662
2034	255,000	225,063	480,063
2035	265,000	214,862	479,862
2036	280,000	204,263	484,263
2037	295,000	193,062	488,062
2038	305,000	181,263	486,263
2039	325,000	169,062	494,062
2040	340,000	156,063	496,063
2041	355,000	124,462	479,462
2042	375,000	128,263	503,263
2043	390,000	113,262	503,262
2044	410,000	96,688	506,688
2045	435,000	79,262	514,262
2046	455,000	60,775	515,775
2047	475,000	41,438	516,438
2048	500,000	21,250	521,250
Totals	<u>\$ 7,100,000</u>	<u>\$ 4,513,193</u>	<u>\$ 11,613,193</u>

Fort Bend County Municipal Utility District No. 216
Schedule of Long-Term Debt Service Requirements by Years
November 30, 2024

(Continued)

Due During Fiscal Years Ending November 30	Road Series 2024		
	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ -	\$ 158,130	\$ 158,130
2026	120,000	197,663	317,663
2027	125,000	190,612	315,612
2028	130,000	183,113	313,113
2029	135,000	175,312	310,312
2030	145,000	167,213	312,213
2031	150,000	158,513	308,513
2032	155,000	150,262	305,262
2033	165,000	144,063	309,063
2034	170,000	138,287	308,287
2035	180,000	132,338	312,338
2036	185,000	126,037	311,037
2037	195,000	119,331	314,331
2038	205,000	112,019	317,019
2039	215,000	104,331	319,331
2040	220,000	96,000	316,000
2041	230,000	87,200	317,200
2042	245,000	78,000	323,000
2043	255,000	68,200	323,200
2044	265,000	58,000	323,000
2045	275,000	47,400	322,400
2046	290,000	36,400	326,400
2047	305,000	24,800	329,800
2048	315,000	12,600	327,600
Totals	<u>\$ 4,675,000</u>	<u>\$ 2,765,824</u>	<u>\$ 7,440,824</u>

Fort Bend County Municipal Utility District No. 216
Schedule of Long-Term Debt Service Requirements by Years
November 30, 2024

(Continued)

Due During Fiscal Years Ending November 30	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ -	\$ 476,035	\$ 476,035
2026	290,000	512,076	802,076
2027	305,000	493,974	798,974
2028	320,000	474,776	794,776
2029	335,000	454,624	789,624
2030	355,000	433,526	788,526
2031	370,000	411,175	781,175
2032	385,000	394,125	779,125
2033	405,000	378,725	783,725
2034	425,000	363,350	788,350
2035	445,000	347,200	792,200
2036	465,000	330,300	795,300
2037	490,000	312,393	802,393
2038	510,000	293,282	803,282
2039	540,000	273,393	813,393
2040	560,000	252,063	812,063
2041	585,000	211,662	796,662
2042	620,000	206,263	826,263
2043	645,000	181,462	826,462
2044	675,000	154,688	829,688
2045	710,000	126,662	836,662
2046	745,000	97,175	842,175
2047	780,000	66,238	846,238
2048	815,000	33,850	848,850
Totals	<u>\$ 11,775,000</u>	<u>\$ 7,279,017</u>	<u>\$ 19,054,017</u>

Fort Bend County Municipal Utility District No. 216
Changes in Long-Term Bonded Debt
Year Ended November 30, 2024

	Bond Issues		Totals
	Series 2024	Road Series 2024	
Interest rates	4.00% to 6.50%	3.50% 6.00%	
Dates interest payable	March 1/ September 1	March 1/ September 1	
Maturity dates	September 1, 2026/2048	September 1, 2026/2048	
Bonds outstanding, beginning of current year	\$ -	\$ -	\$ -
Bonds sold during current year	7,100,000	4,675,000	11,775,000
Bonds outstanding, end of current year	<u>\$ 7,100,000</u>	<u>\$ 4,675,000</u>	<u>\$ 11,775,000</u>
Interest paid during current year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Paying agent's name and address:

Series 2024 - The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Series 2024Rd - The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Bond authority:

	Water, Sewer and Drainage Bonds	Parks and Recreational Bonds	Road Bonds	Refunding Bonds
Amount authorized by voters	<u>\$ 125,320,000</u>	<u>\$ 27,555,000</u>	<u>\$ 64,205,000</u>	<u>\$ 217,080,000</u>
Amount issued	<u>\$ 7,100,000</u>	<u>\$ -</u>	<u>\$ 4,675,000</u>	<u>\$ -</u>
Remaining to be issued	<u>\$ 118,220,000</u>	<u>\$ 27,555,000</u>	<u>\$ 59,530,000</u>	<u>\$ 217,080,000</u>

Debt service fund cash and temporary investment balances as of November 30, 2024: \$ 775,155

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 793,917

Fort Bend County Municipal Utility District No. 216
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended November 30,

	Amounts				
	2024	2023	2022	2021	2020
General Fund					
Revenues					
Property taxes	\$ 281,798	\$ 13,239	\$ -	\$ -	\$ -
Water service	202,597	77,787	23,487	-	-
Sewer service	178,051	42,550	1,235	-	-
Regional water fee	128,291	47,575	18,265	-	-
Penalty and interest	28,325	2,913	-	-	-
Tap connection and inspection fees	414,450	307,170	-	368,881	-
Investment income	1,256	35	625	55	485
Other income	19,730	2,460	500	22	2,500
Total revenues	1,254,498	493,729	44,112	368,958	2,985
Expenditures					
Service operations:					
Purchased services	356,573	81,859	33,952	-	-
Regional water fee	134,630	51,388	14,219	-	-
Professional fees	236,593	218,672	196,476	99,558	113,170
Contracted services	172,711	83,254	42,377	11,012	5,751
Utilities	6,418	13,503	2,879	-	-
Repairs and maintenance	230,957	145,366	21,611	741	-
Other expenditures	70,255	41,834	25,897	10,220	8,641
Tap connections	84,693	76,079	-	60,405	-
Capital outlay	25,000	-	12,155	-	4,215
Purchase of capacity	-	-	79,200	-	-
Debt service, debt issuance costs	-	9,000	-	-	-
Total expenditures	1,317,830	720,955	428,766	181,936	131,777
Excess (Deficiency) of Revenues Over Expenditures	(63,332)	(227,226)	(384,654)	187,022	(128,792)
Other Financing Sources					
Interfund transfers in	9,000	-	-	-	-
Developer advances	201,000	219,500	53,000	169,700	192,200
Total other financing sources	210,000	219,500	53,000	169,700	192,200
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	146,668	(7,726)	(331,654)	356,722	63,408
Fund Balance (Deficit), Beginning of Year	(16,248)	(8,522)	323,132	(33,590)	(96,998)
Fund Balance (Deficit), End of Year	\$ 130,420	\$ (16,248)	\$ (8,522)	\$ 323,132	\$ (33,590)
Total Active Retail Water Connections	338	108	3	-	-
Total Active Retail Wastewater Connections	334	108	1	-	-

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
22.5 %	2.7 %	- %	- %	- %
16.1	15.8	53.3	-	-
14.2	8.6	2.8	-	-
10.2	9.6	41.4	-	-
2.3	0.6	-	-	-
33.0	62.2	-	100.0	-
0.1	0.0	1.4	0.0	16.2
1.6	0.5	1.1	0.0	83.8
100.0	100.0	100.0	100.0	100.0
28.4	16.6	77.0	-	-
10.7	10.4	32.2	-	-
18.9	44.3	445.4	27.0	3,791.3
13.8	16.9	96.1	3.0	192.6
0.5	2.7	6.5	-	-
18.4	29.4	49.0	0.2	-
5.6	8.5	58.7	2.7	289.5
6.7	15.4	-	16.4	-
2.0	-	27.6	-	141.2
-	-	179.5	-	-
-	1.8	-	-	-
105.0	146.0	972.0	49.3	4,414.6
(5.0) %	(46.0) %	(872.0) %	50.7 %	(4,314.6) %

Fort Bend County Municipal Utility District No. 216
Schedule of Revenues and Expenditures – Debt Service Fund
Year Ended November 30, 2024

	<u>Amounts</u>	<u>Percent of Fund Total Revenues</u>
Debt Service Fund		
Revenues		
Investment income	<u>\$ 7,043</u>	<u>100.0 %</u>
Expenditures		
Current:		
Professional fees	-	-
Contracted services	-	-
Other expenditures	-	-
Debt Service:		
Principal retirement	-	-
Interest	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	7,043	<u>100.0 %</u>
Other Financing Sources		
General obligation bonds issued	<u>768,112</u>	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	775,155	
Fund Balance, Beginning of Year	<u>-</u>	
Fund Balance, End of Year	<u><u>\$ 775,155</u></u>	

Fort Bend County Municipal Utility District No. 216
Board Members, Key Personnel and Consultants
Year Ended November 30, 2024

Complete District mailing address:	Fort Bend County Municipal Utility District No. 216 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, Texas 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	June 5, 2024
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-End
Phillip S. Froehlich	Elected 05/22- 05/26	\$ 2,210	\$ -	President
Teresa Kelly	Elected 05/24- 05/28	2,210	-	Vice President
Harry A. Peyton	Elected 05/24- 05/28	2,431	-	Secretary
Travis Benes	Elected 05/24- 05/28	2,431	-	Assistant Secretary
Pamela Fozounmayeh	Elected 05/22- 05/26	2,652	-	Assistant Secretary

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

**Fort Bend County Municipal Utility District No. 216
Board Members, Key Personnel and Consultants
Year Ended November 30, 2024**

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Fort Bend Central Appraisal District	Legislative Action	\$ 1,575	Appraiser
Forvis Mazars, LLP	08/14/20	55,900	Auditor
LJA Engineering, Inc.	01/22/16	123,529	Engineer
Municipal Accounts & Consulting, L.P.	01/22/16	80,594	Bookkeeper
Municipal Operations & Consulting, Inc.	01/15/20	400,578	Operator
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/09/22	3,319	Delinquent Tax Attorney
Robert W. Baird & Co. Incorporated	01/22/16	308,323	Financial Advisor
Schwartz, Page & Harding, L.L.P.	01/22/16	317,429 289,077	Bond Counsel Attorney
Wheeler & Associates	11/10/21	44,222	Tax Assessor/ Collector
Investment Officers			
Mark M. Burton and Ghia Lewis	02/16/16	N/A	Bookkeepers

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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