OFFICIAL STATEMENT DATED NOVEMBER 12, 2026

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

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE—BOOK-ENTRY ONLY **RATING: AG Insured "AA" (stable outlook) S&P**
CUSIP No. 41424M **See "MUNICIPAL BOND RATING" and "BOND INSURANCE" herein**

$7,720,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 586
(A political subdivision of the State of Texas, located in Harris County, Texas)
UNLIMITED TAX ROAD BONDS
SERIES 2026

Dated: December 1, 2026 **Due: April 1 (as shown below)**

Interest on the $7,720,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds") will accrue from December 1, 2026, and will be payable on April 1 and October 1 of each year, commencing April 1, 2027. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is BOKF, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY INC.

ASSURED GUARANTY

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Principal Amount	Maturity	Interest Rate	Yield (a)	Principal Amount	Maturity	Interest Rate	Yield (a)
$130,000	2029	7.500%	3.520%	$280,000	2042(b)	5.000%	4.820%
$140,000	2030	7.500%	3.620%	$295,000	2043(b)	5.000%	4.900%
$145,000	2031	7.500%	3.720%	$315,000	2044(b)	5.000%	4.950%
$155,000	2032(b)	7.500%	3.820%	$330,000	2045(b)	5.000%	5.000%
$165,000	2033(b)	7.375%	3.920%	$350,000	2046(b)	5.000%	5.040%
$175,000	2034(b)	5.000%	4.020%	$375,000	2047(b)	5.000%	5.070%
$185,000	2035(b)	5.000%	4.120%	$395,000	2048(b)	5.000%	5.100%
$195,000	2036(b)	5.000%	4.220%	$420,000	2049(b)	5.000%	5.130%
$205,000	2037(b)	5.000%	4.320%	$445,000	2050(b)	5.000%	5.160%
$220,000	2038(b)	5.000%	4.420%	$470,000	2051(b)	5.000%	5.190%
$235,000	2039(b)	5.000%	4.520%	$500,000	2052(b)	5.000%	5.210%
$245,000	2040(b)	5.000%	4.620%	$530,000	2053(b)	5.125%	5.220%
$260,000	2041(b)	5.000%	4.720%	$560,000	2054(b)	5.125%	5.230%

(a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed. Accrued interest from December 1, 2026, is to be added to the price.

(b) The Bonds maturing on or after April 1, 2032, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on April 1, 2031, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. If fewer than all of the Bonds within any one maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar by lot or other customary method, in integral multiples of $5,000 in any one maturity. See "THE BONDS – Optional Redemption."

Proceeds from the sale of the Bonds will be used by the District to: (1) reimburse the Developers (defined herein) for advancing funds to construct certain road facilities serving the District and associated land acquisition, engineering, and materials testing costs; (2) fund developer interest related to the advancement of funds for certain construction costs; (3) fund 18 months of capitalized interest on the Bonds; and (4) pay administrative costs and issuance expenses associated with the sale and delivery of the Bonds. See "USE OF BOND PROCEEDS."

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, or the City of Houston is pledged to the payment of the principal of, or interest on, the Bonds. **The Bonds are subject to certain investment considerations described under the caption "RISK FACTORS" including a high concentration of ownership of taxable value in the District.**

The Bonds are offered when, as, and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. The District will be advised on certain legal matters concerning disclosure by McCall, Parkhurst & Horton LLP, Dallas, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about December 15, 2026.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

Any information and expressions of opinion herein contained are subject to change 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.

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 Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs.

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

References to website 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 websites and the information or links contained therein are not incorporated into, and are not part of this Official Statement for any purpose.

Assured Guaranty Inc. (“AG”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading “BOND INSURANCE” and “APPENDIX C - Specimen Municipal Bond Insurance Policy.”

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by Robert W. Baird & Co., Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.00% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 5.250829%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial number of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY

SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bids 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.

Securities Laws

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

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. In addition, the District has agreed to provide information with respect to Meritage (defined herein), any person or entity to whom Meritage voluntarily assigns (except as collateral) the right to receive a payment out of the proceeds from the sale of the Bonds of the District, and each other person or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The District will be obligated to provide information concerning Meritage and any such other person or entity only if and so long as (1) such person owns more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (2) such person has made tax or other payments to the District which were used or available to pay more than 20% of the District's debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such person is obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District's bonds then outstanding. The information to be updated with respect to the District includes the quantitative financial information and operating data of the District of the general type included in "DISTRICT DEBT" (except for the subheading "Estimated Overlapping Debt"), "DISTRICT TAX DATA," and "APPENDIX A" (Independent Auditor's Report and Financial Statements of the District) of this Official Statement. The information to be included with respect to Meritage is found in "DISTRICT TAX DATA – Principal Taxpayers." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2027. The District will provide certain updated financial information and operating data to the MSRB or any successor to its functions as a repository through its EMMA system.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. 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, the District shall provide unaudited financial statements for the applicable fiscal year to each 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 Resolution 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 January 31. Accordingly, it must provide updated information by July 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB via EMMA of the change.

Event Notices

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

receivership, or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect beneficial owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provisions for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the foregoing updated information only to the MSRB. Investors will be able to access, without charge from the MSRB, 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 holders and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, if but only if, the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid but, in either case, only to the extent that its right to do so would not prevent the Underwriter 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

Since the District's first issuance of bonds in 2025, the District has complied in all material respects with all previous continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

MUNICIPAL BOND RATING

S&P Global Ratings ("S&P") is expected to assign its municipal bond insured rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Inc.

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

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

Current Financial Strength Ratings

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

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

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

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

Capitalization of AG

At September 30, 2026:

- The policyholders' surplus of AG was approximately $3,102 million.
- The contingency reserve of AG was approximately $1,599 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately $2,415 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

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

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

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

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2026 (filed by AGL with the SEC on November 6, 2026).

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

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

Miscellaneous Matters

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

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

Description: The $7,720,000 Unlimited Tax Road Bonds, Series 2026 (the “Bonds”), are dated and bear interest from December 1, 2026. The Bonds represent the second series of bonds to be issued by Harris County Municipal Utility District No. 586 (the “District”). The Bonds mature on April 1 in the years as shown in the table on the cover page of this Official Statement. The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District, and an election held within the District. See "THE BONDS."

Source of Payment: The Bonds are payable from a continuing direct annual ad valorem tax levied against all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision or agency. See "THE BONDS – Source of and Security for Payment."

Redemption Provisions: The Bonds maturing on or after April 1, 2032, are subject to early redemption, in whole or from time to time in part, on April 1, 2031, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Optional Redemption.”

Book-Entry-Only System: The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, and interest on, the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Use of Proceeds: Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developers (defined herein) for advancing funds to construct certain road facilities serving the District and associated, land acquisition, engineering, and materials testing costs; (2) fund developer interest related to the advancement of funds for certain construction costs; (3) fund 18 months of capitalized interest on the Bonds; and (4) pay administrative costs and issuance expenses associated with the sale and delivery of the Bonds. See "USE OF BOND PROCEEDS."

Payment Record: The District has previously issued one (1) series of unlimited tax road bonds for the purpose of constructing or acquiring a road system to serve the District, of which $3,340,000 principal amount was outstanding as of October 1, 2026 (the “Outstanding Bonds”). The District has never defaulted in the payment of principal of or interest on the Outstanding Bonds. See “DISTRICT DEBT.”

Risk Factors: The Bonds are subject to certain investment considerations as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."

Qualified Tax Exempt Obligations: The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

Municipal Bond Rating and Insurance: S&P is expected to assign its municipal bond insured rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. See “MUNICIPAL BOND RATING,” “BOND INSURANCE,” and “APPENDIX C – Specimen Municipal Bond Insurance Policy.”

Legal Opinion: Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See “LEGAL MATTERS” and “TAX MATTERS.”

Paying Agent/Registrar: BOKF, N.A., Dallas, Texas. See “THE BONDS – Paying Agent/Registrar.”

THE DISTRICT

Description: The District is a municipal utility district created by an order of the TCEQ dated November 21, 2023. The District was created pursuant to the authority of Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District is empowered to purchase, construct, operate, and maintain roads and parks and recreational facilities. See "THE DISTRICT – Authority."

Location: The District, as it was originally created, included approximately 163 acres. Since the creation of the District, there has been one (1) annexation totaling approximately 253 acres and no exclusions of property within the District. The District currently includes within its boundaries approximately 416 acres. The District is located in northwest Harris County, Texas and is situated entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"). The District is located approximately 35 miles northwest of the central business district of the City, south of Burton Cemetery Road, west of Kickapoo Road, east of Mathis Road, and north of Betka Road. Residents gain access to the District by way of State Highway 290 to Betka Road. See "THE DISTRICT – Description and Location."

Development of the District: The District is being developed for single-family residential purposes in the subdivisions known as Paloma and Sanford Farms. Homebuilding in the District has taken place in Paloma, Section 2 and Sanford Farms, Sections 1 - 2. Additionally, 215 single-family residential lots have been constructed in Sanford Farms, Sections 3 - 4, but homebuilding in such sections has yet to commence. As of October 1, 2026, the District included approximately 310 completed homes (of which approximately 259 homes were owner-occupied and three (3) homes were being used as model homes), 52 homes under construction, and 375 vacant developed lots. Additionally, approximately 258 single-family residential lots are currently under development in Paloma, Section 1 and Sanford Farms, Sections 5 – 6; such lots are anticipated to be available for homebuilding during the fourth quarter of 2026. See "THE DISTRICT – Status of Residential Development" and "APPENDIX B – Photographs Taken in the District."

Summary of Land Uses: As of October 1, 2026, the District included approximately 105 acres that have been developed and improved for single-family residential purposes, approximately 37 acres under development, approximately 57 acres remaining for future development, and approximately 217 undevelopable acres, which includes road rights-of-way, detention ponds, drainage easements, plant sites, and open spaces. See "THE DISTRICT – Land Uses and Status of Land Development."

The Developers: The sole developer of the Paloma subdivision is Century Land Holdings of Texas, LLC, a Colorado limited liability company ("Century") and a special purpose entity created solely for the purpose of developing land in projects located in the Texas market. Century is a wholly owned subsidiary of Century Communities, Inc., a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "CCS." Century is also the sole homebuilder in the Paloma subdivision.

On May 8, 2025, the District annexed a tract of land totaling approximately 253 acres, which is known as the Sanford Farms subdivision. The developers of the Sanford Farms subdivision are Century and Meritage Homes of Texas, LLC, an Arizona limited liability company ("Meritage" and together with Century, the "Developers") and a subsidiary of Meritage Homes Corporation, a Maryland corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "MTH." Effective September 16, 2024, the Developers entered into a development agreement (the "Development Agreement") pertaining to the land, lots, and construction costs associated with the development of the Sanford Farms subdivision. The Development Agreement provides that the Developers will each have a 50% interest in the acreage in the District being developed and platted as the Sanford Farms subdivision. Additionally, the Development Agreement provides that the Developers each contribute 50% of the development costs and in turn receive approximately 50% of the developed lots created in the Sanford Farms subdivision.

As noted above, the Developers are wholly-owned subsidiaries of their respective publicly traded parent companies, including Century Communities, Inc. and Meritage Homes Corporation, whose stocks are listed and publicly traded on the New York Stock Exchange. As publicly traded companies, Century Communities, Inc. and Meritage Homes Corporation are both subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file annual reports, quarterly reports, proxy statements, and periodic statements with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements, and other information filed by Century Communities, Inc. and Meritage Homes Corporation can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at http://www.sec.gov that contains

reports, proxy information statements, and other information regarding registrants that file electronically with the SEC. Audited financial statements for Century Communities, Inc. are also available at www.centurycommunities.com. Audited financial statements for Meritage Homes Corporation are also available at www.meritagehomes.com. See "THE DEVELOPERS."

Homebuilders: Century is the sole homebuilder in the Paloma subdivision. According to Century, homes in the Paloma subdivision are being constructed on 40-foot lots and 50-foot lots and are currently being marketed in the $237,000 - $285,000 price range. Century and Meritage are the homebuilders in the Sanford Farms subdivision. According to the Developers, homes in the Sanford Farms subdivision are being constructed on 40-foot lots, 45-foot lots, and 50-foot lots and are being marketed in the $235,000 - $425,000 price range. See "THE DEVELOPERS – Homebuilders."

The System: Pursuant to a Wholesale Agreement for Water and Wastewater Service dated September 13, 2024 (the "Utility Agreement"), between the District, the Developers, and PERENfra TX-586, LLC ("PERENfra"), water supply and wastewater treatment for the District's customers is provided by PERENfra. The District does not own or operate any water supply or wastewater treatment facilities. However, the District is responsible for operations and maintenance of its water distribution and wastewater collection facilities beyond points of delivery from PERENfra. While PERENfra is responsible for the operations and maintenance of the water supply and wastewater treatment plants, it recovers these costs through capacity fees and wholesale rates charged to the District. The District is responsible for all costs necessary to construct internal water distribution lines and wastewater collection lines to the points of connection at PERENfra's plants. The District's internal facilities will be owned, operated, and maintained by the District at its sole cost. The initial term of the Utility Agreement is 50 years, which is renewable for consecutive ten-year terms thereafter unless terminated.

The District's source of water is surface water and ground water provided by PERENfra's water supply facilities and distributed to the District by way of 8-inch and 12-inch waterlines. PERENfra owns and operates a temporary water plant and a permanent water plant that serves the District. The District through PERENfra currently manages the wastewater treatment by pumping and hauling such wastewater from a manhole within the District to a nearby operational wastewater treatment plant. A wastewater treatment plant that will be owned and operated by PERENfra to service the District is currently under construction and anticipated to be operational by November 2026. Pursuant to the Utility Agreement, the District has reserved water supply and wastewater treatment capacity adequate to serve up to 1,500 equivalent single-family connections ("ESFCs"). According to the Engineer, such water supply and wastewater treatment capacity is adequate to serve the ultimate build out of the District given currently anticipated development plans. Pursuant to the terms of the Utility Agreement, PERENfra bills the District directly for water supply and wastewater treatment services at wholesale rates and the District bills residents and customers at retail rates.

The underground storm drainage collection system serving Paloma, Section 2 and Sanford Farms, Sections 1 – 4 is complete, and the underground storm drainage collection system to serve Paloma, Section 1 and Sanford Farms, Sections 5 – 6 is currently under construction. All storm drainage improvements serving the District are designed in accordance with criteria established by the City and the Harris County Flood Control District. The District's drainage system utilizes a combination of curb and gutter street system to convey runoff within the District. Stormwater is collected through such curb and gutter system and storm sewers and is routed to a series of detention ponds within the District, which drain into Little Mound Creek and flow south to Mound Creek and ultimately to Cypress Creek. According to the Engineer, approximately 55 acres of the land in the District's boundaries are located within the 100-year floodplain as determined by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Map No. 48201C0170M dated October 16, 2013, for Harris County, Texas. Based on current land plans, approximately 6 acres of such acreage in the 100-year flood are planned for future single-family residential development. However, the District intends to file a Letter of Map Revision removing the 6 acres from the 100-year flood plain. See "THE SYSTEM."

The Roads: The Roads (hereinafter defined) serve the public by providing access to the major thoroughfares and collector roads within the Paloma and Sanford Farms subdivisions and the surrounding area. The Roads lie within the public right-of-way. In addition to the roadway, public utilities such as underground water, wastewater and drainage facilities are located within the right-of-way or easement dedicated to the District. The right-of-way is also shared by streetlights, sidewalks, and franchise utilities, including power, gas, telephone, and cable utilities. The Roads have been designed and constructed in accordance with standards, rules, and regulations of Harris County. Upon completion, the Roads are conveyed to Harris County for ownership, operation and maintenance in accordance with the standard acceptance procedures. See "THE ROADS."

SELECTED FINANCIAL INFORMATION
(Unaudited)

8/1/2026 Estimated Taxable Value	$121,074,366	(a)
2026 Certified Taxable Value	$72,367,645	(b)
Direct Debt:		
The Outstanding Bonds	$3,340,000	
The Bonds	$7,720,000	
Total Direct Debt	$11,060,000	
See “DISTRICT DEBT”		
Estimated Overlapping Debt	$9,474,053	(c)
Direct and Estimated Overlapping Debt	$20,534,053	
Percentage of Direct Debt to:		
8/1/2026 Estimated Taxable Value	9.13%	
2026 Certified Taxable Value	15.28%	
See “DISTRICT DEBT”		
Percentage of Direct and Estimated Overlapping Debt to:		
8/1/2026 Estimated Taxable Value	16.96%	
2026 Certified Taxable Value	28.37%	
See “DISTRICT DEBT”		
2026 Tax Rate Per $100 of Assessed Value:		
Road Debt Service Tax	$0.05	
Maintenance and Operations Tax	$1.45	
Total 2026 Tax Rate	$1.50	
Cash and Temporary Investment Balances as of October 8, 2026:		
General Fund	$59,078	(d)
Road Debt Service Fund	$730,678	(e)

(a) Reflects data supplied by the Harris Central Appraisal District (the “Appraisal District”). The Estimated Taxable Value as of August 1, 2026, was prepared by the Appraisal District and provided to the District. Such values are not binding on the Appraisal District and are provided for informational purposes only. Any value as a result of new construction since January 1, 2026 will not be included on the District’s tax roll until the subsequent year’s tax roll is prepared and certified by the Appraisal District. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

(b) Reflects the January 1, 2026, Certified Taxable Value according to data supplied to the District by the Appraisal District, which includes $23,150,871 of uncertified taxable value that is still in the certification process. Such amount of uncertified value represents the Appraisal District’s estimate of the taxable value that will ultimately be certified on the District’s tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and “TAXING PROCEDURES.”

(c) See “DISTRICT DEBT – Estimated Overlapping Debt.”

(d) Unaudited figure per the District’s records. The Developers have entered into an agreement with the District memorializing their obligation to make operating advances to the District as may be required from time to time. See “THE SYSTEM – General Fund Operating History” and “RISK FACTORS – Operating Funds.”

(e) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Road Debt Service Fund. The cash and investment balance in the Road Debt Service Fund includes 18 months of capitalized interest to be funded with proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue," “USE OF BOND PROCEEDS,” and “THE BONDS – Funds.”

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Outstanding Bonds and the debt service requirements for the Bonds. This table does not reflect that 18 months of interest will be capitalized from proceeds of the Bonds to pay debt service on the Bonds.

Year	Outstanding Debt Service Requirements	Debt Service on the Bonds		Total Debt Service Requirements
		Principal	Interest	
2026	$137,641	-	-	$137,641
2027	$165,169	-	$337,943	$503,111
2028	$165,169	-	$405,531	$570,700
2029	$227,813	$130,000	$400,656	$758,469
2030	$227,919	$140,000	$390,531	$758,450
2031	$227,663	$145,000	$379,844	$752,506
2032	$227,044	$155,000	$368,594	$750,638
2033	$226,063	$165,000	$356,697	$747,759
2034	$219,900	$175,000	$346,238	$741,138
2035	$219,569	$185,000	$337,238	$741,806
2036	$220,300	$195,000	$327,738	$743,038
2037	$221,156	$205,000	$317,738	$743,894
2038	$221,800	$220,000	$307,113	$748,913
2039	$227,053	$235,000	$295,738	$757,791
2040	$226,913	$245,000	$283,738	$755,650
2041	$226,553	$260,000	$271,113	$757,666
2042	$225,894	$280,000	$257,613	$763,506
2043	$229,819	$295,000	$243,238	$768,056
2044	$228,406	$315,000	$227,988	$771,394
2045	$231,559	$330,000	$211,863	$773,422
2046	$229,275	$350,000	$194,863	$774,138
2047	$231,644	$375,000	$176,738	$783,381
2048	$233,550	$395,000	$157,488	$786,038
2049	$234,994	$420,000	$137,113	$792,106
2050	$235,975	$445,000	$115,488	$796,463
2051	$236,363	$470,000	$92,613	$798,975
2052	$236,150	$500,000	$68,363	$804,513
2053	$235,463	$530,000	$42,281	$807,744
2054	-	$560,000	$14,350	$574,350
TOTALS	**$6,176,813**	**$7,720,000**	**$7,066,440**	**$20,963,252**

Maximum Annual Debt Service Requirements (2053) ..... $807,744 (a)

Requires a $0.71 debt service tax rate on the August 1, 2026 Estimated Taxable Value of $121,074,366 at 95% collections ..... $816,647 (a)

Requires a $1.18 debt service tax rate on the 2026 Certified Taxable Value of $72,367,645 at 95% collections ..... $811,241 (a)

(a) See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

OFFICIAL STATEMENT

relating to

$7,720,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 586
(A political subdivision of the State of Texas located within Harris County, Texas)

UNLIMITED TAX ROAD BONDS
SERIES 2026

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the $7,720,000 Harris County Municipal Utility District No. 586 Unlimited Tax Road Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of Harris County Municipal Utility District No. 586 (the "District"), and an election held within the District.

This Official Statement includes descriptions of the Bonds, the Bond Resolution, certain information about the District and its financial condition, and the Developers in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision. The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of and Security for Payment.” The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to generate property taxes to pay debt service at current levels.

Marketability

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

Tax Collections

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property or (d) the taxpayer’s right to redeem the property within six (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 – District’s Rights in the Event of Tax Delinquencies.”

Registered Owners' Remedies

If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment 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 the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of, or negotiated in good faith with, its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating 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 the District.

A district cannot be placed into bankruptcy involuntarily.

Approval of the Bonds

As required by law, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas 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.

Economic Factors and Interest Rates

A substantial percentage of the taxable value in the District results from the current market value of single-family residences and developed lots. The Houston area economy is particularly tied to the energy industry, and fluctuations in oil and natural gas prices could adversely affect the demand for housing and the assessed values of properties located in the District. See "RISK FACTORS – Potential Effects of Oil Price Fluctuation on the Houston Area" herein.

The continued growth of taxable values in the District is directly related to the housing and building industry. The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for land development or homebuilding costs. Interest rate levels may affect the Developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The Houston metropolitan area has, in the past, experienced increased unemployment, business failures, and slow absorption of office space. These factors, if they recur, could affect the demand for new residential home construction and commercial development and hence the growth of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon homebuilding plans altogether.

The housing industry in the Houston area is competitive and the District can give no assurance that current homebuilding programs will be completed. The competitive position of the Developers in the sale of their developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses, is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements and commercial development within the market area in which the District is located. Such sites could pose competition to the continued home-building development and commercial development on comparable sites within the District.

Competition

The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. Many of the other developments are generally accessible by the same commuter routes and served by the same employment centers and school districts causing the developments to compete with one another for the same pool of buyers at similar price points and amenity levels.

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

Potential Effects of Oil Price Fluctuation on the Houston Area

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

Undeveloped Acreage and Vacant Lots

There are approximately 57 developable but undeveloped acres and approximately 375 single-family residential lots that remain vacant as of October 1, 2026. Failure of the builders to construct homes on the developed lots could restrict the rate of growth of taxable values in the District. Future increases in value will result primarily from the construction of homes. The District makes no representation as to the success of any homebuilding programs. See “THE DISTRICT – Status of Residential Development.”

Dependence on Principal Taxpayers

THERE IS A HIGH CONCENTRATION OF OWNERSHIP OF TAXABLE VALUE IN THE DISTRICT. The District is in the early stages of development. According to the District’s 2026 certified tax rolls as provided by the Appraisal District, the top 10 taxpayers represent $25,062,194 of taxable assessed valuation, or approximately 50.89% of the District’s 2026 Certified Taxable Value of $49,216,774 (not including $23,150,871 of uncertified taxable value, which represents the Appraisal District’s estimate of the taxable value that will ultimately be certified on the District’s tax roll after successful protest). The District’s principal taxpayers include the Developers, which collectively represent $19,321,760 of taxable assessed valuation, or approximately 39.25% of the District’s 2026 Certified Taxable Value.

The ability of the principal taxpayers to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt service obligations. If, for any reason, the principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to use other funds available for debt service purposes to the extent available. Further, if any of the principal taxpayers cease operations within the District, a substantial decrease in the District’s value may result; the District has no understanding with any of the principal taxpayers regarding their future level of operations in the District. The District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Road Debt Service Fund, or any other funds. Therefore, failure by the principal taxpayers to pay their taxes on

a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. See "THE DEVELOPERS" and "DISTRICT TAX DATA – Principal Taxpayers."

Landowners/Developers Under No Obligation to the District

The Developers have informed the District of their current plans to continue to develop land in the District for residential purposes. However, neither the Developers nor any other landowner within the District have any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes or commercial improvements in the District. Currently, there is no restriction on any landowner's right (including the Developers') to sell its land. Failure to construct taxable improvements on developed lots (currently existing lots or lots anticipated to be created by the Developers) and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District as it has in the past. The District is also dependent upon certain principal taxpayers, including the Developers, for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes. See "DISTRICT TAX DATA – Principal Taxpayers."

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2026 tax rate of $1.50 per $100 of assessed valuation is slightly higher than the tax rate that is common among many other similar utility districts providing water, sanitary sewer, and storm drainage services in Harris County. An increase in the District's tax rate substantially above such a level could have an adverse impact on future development in the District and on the District's ability to collect such tax.

Assuming no further residential building development within the District other than that which has been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be $807,744 (2053). The District's August 1, 2026, Estimated Taxable Value is $121,074,366. Assuming no increase or decrease from the August 1, 2026, Estimated Taxable Value and no use of other District funds, a road debt service tax rate of $0.71 per $100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. The District's 2026 Certified Taxable Value is $72,367,645, which includes $23,150,871 of uncertified taxable value that represents the Appraisal District's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest. Assuming no increase or decrease from the 2026 Certified Taxable Value and no use of other District funds, a road debt service tax rate of $1.18 per $100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

Operating Funds

As noted elsewhere in this Official Statement, the District does not own or operate the water supply and wastewater treatment facilities serving the District. The District receives wholesale water and wastewater service from PERENfra. However, the District does own and operate the water distribution and wastewater collection facilities beyond points of delivery by PERENfra. PERENfra bills the District directly for water supply and wastewater treatment services at wholesale rates and the District bills residents and customers at retail rates pursuant to the terms of the Utility Agreement. The revenues derived from the difference between the retail rates paid by the residents and customers to the District and the wholesale rates paid by the District to PERENfra are used by the District to, in part, pay operations and maintenance expenses associated with the District's water distribution and wastewater collection facilities.

The District set a 2026 maintenance and operations tax rate in the amount of $1.45 per $100 assessed valuation. The revenue produced from the maintenance tax must be sufficient to offset the share of the District's operating expenses that are not covered by revenues derived from water and wastewater services and other related revenue sources. The District's 2026 maintenance tax levy amount is approximately $713,643, which will be deposited into the District's General Fund. As of October 8, 2026, the District's General Fund had an unaudited cash and investment balance of $59,078. For the fiscal year ending January 31, 2027, the District's General Fund is currently budgeting revenues of $866,500 and expenditures of $839,560. For the fiscal year ending January 31, 2027, the District is not currently budgeting any operating advances from the Developers. Maintenance of a positive General Fund balance will depend upon: (i) continued development and increased amounts of water and wastewater revenues and maintenance tax revenue; and (ii) operating advances from the Developers from time to time, which may be reimbursed from proceeds of future bonds. Upon request from the District from time to time, the Developers have made operating advances to the District's General Fund, and such advances have been made on time and in full. If its General Fund balance is depleted, then the District will be required to levy a maintenance tax at a rate sufficient to fund its operating expenses as previously described. Such a tax, when added to the District's road debt service tax, may result in a total District tax which could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. The District expects that it will be able to maintain a total tax rate of $1.50 per $100 of assessed valuation subsequent to the sale of the Bonds. The Developers have entered into an agreement with the District memorializing their obligation to make operating advances to the District as may be required from time to time. See "THE SYSTEM – General Fund Operating History" and "DISTRICT TAX DATA – Tax Rate and Collections."

Future Debt

At an election held on May 4, 2024, the District's voters authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

Amount	Purpose
$384,500,000	For certain water, wastewater, and drainage facilities and for refunding
$119,000,000	For certain road facilities and for refunding
$32,200,000	For certain parks and recreational facilities and for refunding

After the issuance of the Bonds, the District will have the following amounts that remain authorized but unissued: (i) $384,500,000 of unlimited tax bonds for water, wastewater, and drainage facilities and for refunding such bonds previously issued; (ii) $107,940,000 of unlimited tax bonds for road facilities and for refunding such bonds previously issued; and (iii) $32,200,000 of unlimited tax bonds for parks and recreational facilities and for refunding such bonds previously issued.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except for new money road bonds) to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, 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) amendment of the existing City of Houston ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering authorizing preparation of a fire plan or calling a fire bond election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds may not exceed an amount equal to three percent of the value of the taxable property in the District. The District has prepared a park plan and conducted a bond election on May 4, 2024, that authorized $32,200,000 of park and recreational facilities bonds, all of which remain authorized but unissued.

Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Financing Road Facilities

The District is authorized to develop road facilities, including the issuing of bonds payable from taxes for such purpose. Before the District can issue road bonds payable from taxes, approval of the bonds by the Attorney General of Texas is required. When the District does issue road bonds, the outstanding principal amount of such bonds may not exceed an amount equal to twenty-five percent of the assessed value of real property in the District. The District conducted a bond election that authorized $119,000,000 of road bonds at an election held on May 4, 2024, of which $107,940,000 will remain authorized but unissued after issuance of the Bonds.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolution 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 "TAX MATTERS."

Environmental Regulations

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties,

imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

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

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

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

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

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

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

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

The District's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the

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

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

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

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

Changes in Tax Legislation

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

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 an 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 policy insurer (the "Bond Insurer") at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

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 description of "BOND INSURANCE" herein.

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 Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "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.

Severe Weather

The District is located approximately 80 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a 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, with a corresponding decrease in tax revenues or necessity to 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 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 would be adversely affected.

The greater Houston area has experienced multiple storms exceeding a 0.2% probability of occurrence (i.e., "500-year flood" events) since 2015. If the District were to sustain damage to its facilities as a result of such a storm (or any other severe weather event) requiring substantial repair or replacement, or if substantial damage to taxable property within the District were to occur as a result of a severe weather event, the investment security of the Bonds could be adversely affected.

Specific Flood Type Risks

The District may be subject to the following flood risks:

Ponding (or Pluvial) Flooding: 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) Flooding: 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 (canals or channels) downstream.

Tax Exemption for Property Damaged by Disaster

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

Tax Payment Installments After Disaster

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

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

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally

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

Increase in Costs of Building Materials

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

Cybersecurity

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

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developers for advancing funds to construct certain road facilities serving the District and associated land acquisition, engineering, and materials testing costs; (2) fund developer interest related to the advancement of funds for certain construction costs; (3) fund 18 months of capitalized interest on the Bonds; and (4) pay administrative costs and issuance expenses associated with the sale and delivery of the Bonds.

Pape-Dawson Engineers, Inc. (the "Engineer") has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

CONSTRUCTION COSTS	**Total Amount**	
Developer Contribution Items		
Paloma, Section 2 – Paving Construction	$98,801	
Paloma, Section 1 – Paving Construction	$785,773	
Sanford Farms Street Dedication Section 1 – Paving Construction	$683,754	
Sanford Farms Street Dedication Section 2 – Paving Construction	$220,417	
Sanford Farms, Section 1 – Paving Construction	$1,090,240	
Sanford Farms, Section 2 – Paving Construction	$1,281,232	
Engineering, Materials Testing & Traffic Impact Analysis	$584,133	
Land Acquisition Costs	$1,329,598	
Total Developer Contribution Items	**$6,073,948**	
TOTAL CONSTRUCTION COSTS	**$6,073,948**	(a)
NON-CONSTRUCTION COSTS		
Legal Fees	$194,400	
Fiscal Agent Fees	$154,400	
Interest Costs:		
Capitalized Interest (18 months)	$608,296	
Developer Interest	$306,464	
Bond Discount	$231,600	
Bond Issuance Expenses	$36,668	
Bond Engineering Report Costs	$20,000	
Attorney General Fee	$7,720	
Contingency	$86,504	(b)
TOTAL NON-CONSTRUCTION COSTS	**$1,646,052**	
TOTAL BOND ISSUE REQUIREMENT	**$7,720,000**	

(a) The TCEQ has not established rules regarding district reimbursement of road costs to developers. The District has engaged its independent auditor to perform certain agreed upon procedures on the Developer's documentation of the payments of eligible road improvement costs.

(b) Represents the difference between the estimated and actual amount of capitalized interest. Such funds will be used by the District to fund costs only after approval by the Board of Directors.

THE DISTRICT

Authority

The District is a municipal utility district created by an order of the TCEQ dated November 21, 2023. The District was created pursuant to the authority of Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District is empowered to purchase, construct, operate, and maintain roads and parks and recreational facilities.

Under certain limited circumstances, the District is authorized to construct, develop, maintain, and finance park and recreational facilities, and to construct, develop, maintain, and finance roads. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to provide such facilities and services to the customers of the District. See "RISK FACTORS – Financing Road Facilities," "– Financing Parks and Recreational Facilities," and "THE BONDS – Issuance of Additional Debt."

In order to obtain the consent of the City, within whose extraterritorial jurisdiction the District lies, to the District's creation, the District has agreed to observe certain City requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities, road facilities, and park and recreational facilities and limit the net effective interest rate on such bonds and other terms of such bonds.

Description and Location

The District, as it was originally created, included approximately 163 acres. Since the creation of the District, there has been one (1) annexation totaling approximately 253 acres and no exclusions of property within the District. The District currently includes within its boundaries approximately 416 acres. The District is located in northwest Harris County, Texas and is situated entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"). The District is located approximately 35 miles northwest of the central business district of the City, south of Burton Cemetery Road, west of Kickapoo Road, east of Mathis Road, and north of Betka Road. Residents gain access to the District by way of State Highway 290 to Betka Road. See "– Vicinity Map" herein.

Land Uses and Status of Land Development

A summary of the approximate land use in the District as of October 1, 2026, appears in the following table:

Type of Land Use	Approximate Acres
Developed and Improved Acres (a)	105
Acres Under Development (b)	37
Remaining Developable Acreage (c)	57
Undevelopable Acreage (d)	217
Total Approximate Acres	**416**

(a) Represents land that is served with utilities and has single-family residential improvements constructed on site, including Paloma, Section 2 and Sanford Farms, Sections 1 - 4. See "– Status of Residential Development" herein.

(b) Represents the developable acres located in Paloma, Section 1 and Sanford Farms, Sections 5 - 6, which are currently under development and expected to collectively contain 258 single-family residential lots. The lots in Paloma, Section 1 (82 single-family residential lots), Sanford Farms, Section 5 (64 single-family residential lots), and Sanford Farms, Section 6 (112 single-family residential lots) are anticipated to be available for homebuilding during the fourth quarter of 2026. See "THE DEVELOPERS – Future Development."

(c) Represents land available for future development in the Paloma and Sanford Farms subdivisions. Such acreage excludes land that may be used for road rights-of-way, detention ponds, drainage easements, open spaces, or other undevelopable acres. The District makes no representation that the development of such acreage will ever be undertaken or that taxable improvements will ever be constructed thereon. See "RISK FACTORS – Undeveloped Acreage and Vacant Lots" and "THE DEVELOPERS – Future Development."

(d) Includes road rights-of-way, detention ponds, drainage easements, plant sites, and open spaces.

Status of Residential Development

The District is being developed for single-family residential purposes in the subdivisions known as Paloma and Sanford Farms. Homebuilding within the District commenced on or about July of 2024. The following table indicates the approximate status of single-family residential development as of October 1, 2026. See "APPENDIX B – Photographs Taken in the District" for further illustration of the various products of homes being constructed in the District.

		Homes		
Subdivision/Section	Total Lots	Complete	Under Construction	Vacant Lots
Paloma, Section 2 (a)	226	178	5	43
Sanford Farms, Section 1 (b)	133	84	10	39
Sanford Farms, Section 2 (b)	163	48	33	82
Sanford Farms, Section 3 (b)	118	0	4	114
Sanford Farms, Section 4 (b)	97	0	0	97
TOTALS	**737**	**310** (b)	**52**	**375** (d)

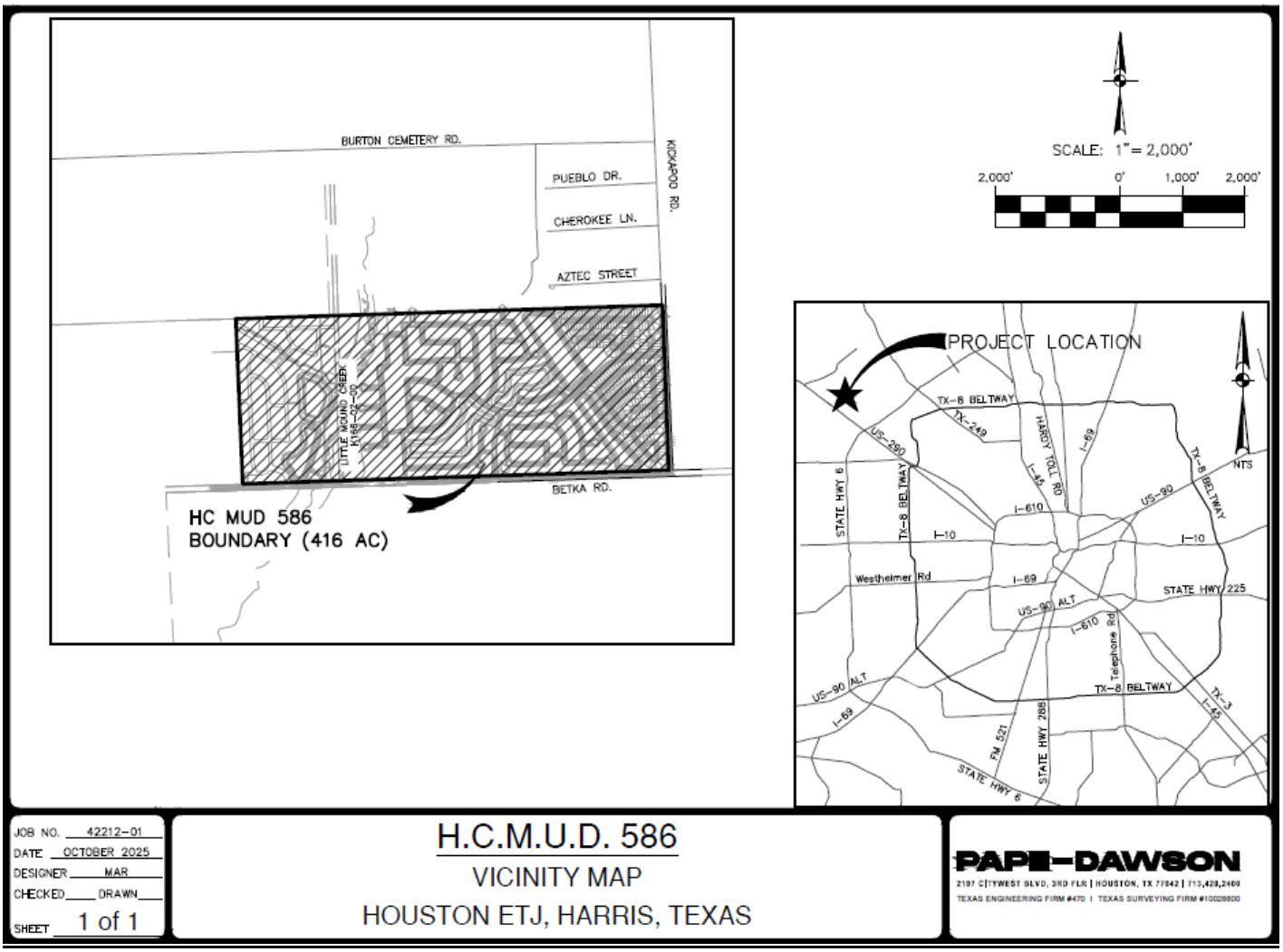
(a) Homes in the Paloma subdivision are being constructed by Century on 40-foot lots and 50-foot lots and are currently being marketed and sold in the $237,000 - $285,000 price range.

(b) Homes in the Sanford Farms subdivision are being constructed by Century and Meritage on 40-foot lots, 45-foot lots, and 50-foot lots and are currently being marketed and sold in the $235,000 - $425,000 price range.

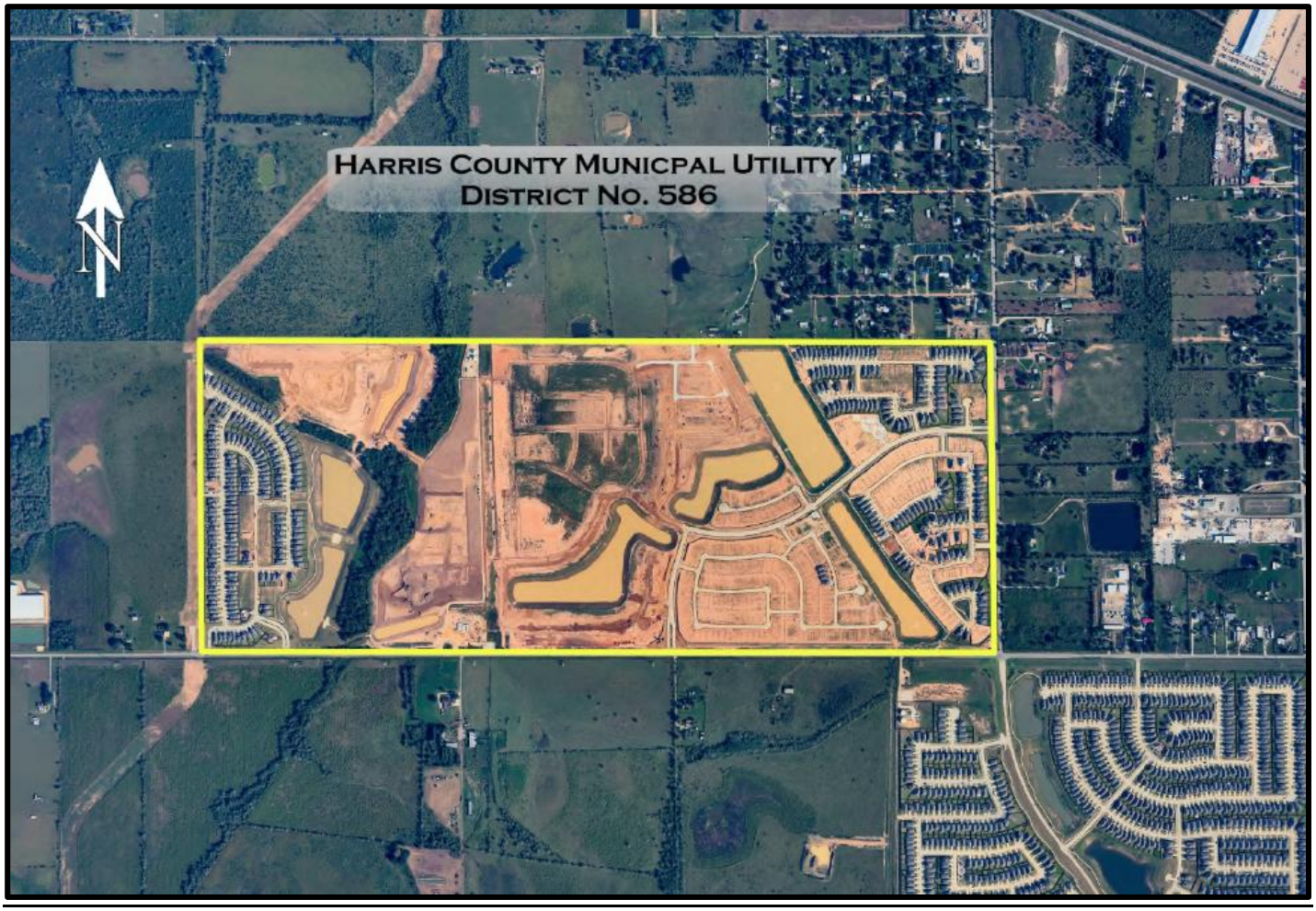
(c) As of October 1, 2026, approximately 259 of the completed homes were owner-occupied. According to the Developers, three (3) of the completed homes are being used as model homes.

(d) See "RISK FACTORS – Undeveloped Acreage and Vacant Lots."

Vicinity Map



Aerial Photograph



THE DEVELOPERS

Role of a Developer

In general, the activities of developers in a municipal utility district such as the District include purchasing the land within a district, designing the streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities, and selling improved lots and commercial reserves to builders, other developers, or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater, and drainage facilities in the utility district exclusive of water and sewage treatment plants unless a waiver from this requirement is requested and obtained from the TCEQ by the District, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

Description of the Developers

The sole developer of the Paloma subdivision is Century Land Holdings of Texas, LLC, a Colorado limited liability company ("Century") and a special purpose entity created solely for the purpose of developing land in projects located in the Texas market. Century is a wholly owned subsidiary of Century Communities, Inc., a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "CCS."

On May 8, 2025, the District annexed a tract of land totaling approximately 253 acres, which is known as the Sanford Farms subdivision. The developers of the Sanford Farms subdivision are Century and Meritage Homes of Texas, LLC, an Arizona limited liability company ("Meritage" and together with Century, the "Developers") and a subsidiary of Meritage Homes Corporation, a Maryland corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "MTH." Effective September 16, 2024, the Developers entered into a development agreement (the "Development Agreement") pertaining to the land, lots, and construction costs associated with the development of the Sanford Farms subdivision. The Development Agreement provides that the Developers will each have a 50% interest in the acreage in the District being developed and platted as the Sanford Farms subdivision. Additionally, the Development Agreement provides that the Developers each contribute 50% of the development costs and in turn receive approximately 50% of the developed lots created in the Sanford Farms subdivision.

As noted above, the Developers are wholly-owned subsidiaries of their respective publicly traded parent companies, including Century Communities, Inc. and Meritage Homes Corporation, whose stocks are listed and publicly traded on the New York Stock Exchange. As publicly traded companies, Century Communities, Inc. and Meritage Homes Corporation are both subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file annual reports, quarterly reports, proxy statements, and periodic statements with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements, and other information filed by Century Communities, Inc. and Meritage Homes Corporation can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at http://www.sec.gov that contains reports, proxy information statements, and other information regarding registrants that file electronically with the SEC. Audited financial statements for Century Communities, Inc. are also available at www.centurycommunities.com. Audited financial statements for Meritage Homes Corporation are also available at www.meritagehomes.com.

While Century Communities, Inc. and Meritage Homes Corporation may provide internal financing to their subsidiaries, including the Developers, they are not in any way responsible for the payment of taxes to the District or for the payment of interest and principal on the Bonds. Neither the Developers, Century Communities, Inc., or Meritage Homes Corporation has made any commitment to pay debt service on the Bonds, and reference to the financial information of Century Communities, Inc. and Meritage Homes Corporation in this Official Statement should not be so construed. The District has not obtained any representations from Century Communities, Inc. or Meritage Homes Corporation concerning its publicly available filings or undertaken any review thereof and assumes no responsibility for the information contained therein.

Future Development

The Developers own additional land within the District that is currently undeveloped, which is anticipated to be developed for single-family residential purposes in the Paloma and Sanford Farms subdivisions. According to Century, the Paloma subdivision is currently planned for 426 single-family residential lots at ultimate buildout, of which 226 single-family residential lots have heretofore been developed in Paloma, Section 2, and 82 single-family residential lots are currently under development in Paloma, Section 1. According to Century, the lots in Paloma, Section 1 are anticipated to be available for homebuilding during the fourth quarter of 2026. According to the Developers, the Sanford Farms subdivision is currently planned for 990 single-family residential lots at ultimate buildout, of which 511 single-family residential lots have heretofore been developed in Sanford Farms, Sections 1 - 4, and 176 single-family residential lots are currently under development in Sanford Farms, Sections 5 - 6. According to the Developers, the lots in Sanford Farms, Section 5 (64 single-family residential lots) and Sanford Farms, Section 6 (112 single-family residential lots) are

anticipated to be available for homebuilding during the fourth quarter of 2026. See "THE DISTRICT – Land Uses and Status of Land Development" and "– Status of Residential Development." In addition, the Engineer has begun design for the water, sanitary sewer, drainage, and paving facilities to serve Sanford Farms, Sections 7 and 8, and preliminary plat approval has been received for both sections.

As stated elsewhere in this Official Statement, the Developers have no commitment or obligation to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Future development and homebuilding depend, in part, upon short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. Neither the District nor the Developers represent that the remaining development of the Paloma or Sanford Farms subdivisions will ever be undertaken nor that any taxable improvements will ever be constructed thereon. See "RISK FACTORS – Economic Factors," "– Competition," and "– Landowners/Developer Under No Obligation to the District."

Homebuilders

Century is the sole homebuilder in the Paloma subdivision. According to Century, homes in the Paloma subdivision are being constructed on 40-foot lots and 50-foot lots and are currently being marketed in the $237,000 - $285,000 price range. Century and Meritage are the homebuilders in the Sanford Farms subdivision. According to the Developers, homes in the Sanford Farms subdivision are being constructed on 40-foot lots, 45-foot lots, and 50-foot lots and are being marketed in the $235,000 - $425,000 price range.

THE SYSTEM

Description of the System and Regulation

According to the Engineer, the water, wastewater, and storm drainage facilities serving the land within the District (the "System") have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, as applicable among others, the TCEQ, Harris County, and the City of Houston, Texas (the "City"). According to the Engineer, all such facilities constructed to date have been approved by all required governmental agencies. During construction, such facilities are subject to inspection by the foregoing governmental agencies having jurisdiction.

Operation of the water supply and wastewater treatment facilities serving the District is provided by PERENfra TX-586, LLC ("PERENfra") whose parent company is PERENfra, LLC. PERENfra, LLC is the business of investing in, acquiring, developing, and operating utility infrastructure with assets under management and projects in development located in Texas, Colorado, Louisiana, Oklahoma, New Mexico, and Arizona. The water supply and wastewater treatment facilities are subject to regulation by, among others, the United States Environmental Protection Agency, the TCEQ, and the Texas Department of Health. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

The District expects to finance the costs of acquisition or construction of the water distribution, wastewater collection, and storm drainage and detention facilities, among other facilities that have been and will be constructed to serve the land within the District, with proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE BONDS – Issuance of Additional Debt," and "RISK FACTORS – Future Debt."

Water and Wastewater Facilities

Pursuant to a Wholesale Agreement for Water and Wastewater Service dated September 13, 2024 (the "Utility Agreement"), between the District, the Developers, and PERENfra, water supply and wastewater treatment for the District's customers is provided by PERENfra. The District does not own or operate any water supply or wastewater treatment facilities. However, the District is responsible for operations and maintenance of its water distribution and wastewater collection facilities beyond points of delivery from PERENfra. While PERENfra is responsible for the operations and maintenance of the water supply and wastewater treatment plants, it recovers these costs through capacity fees and wholesale rates charged to the District. The District is responsible for all costs necessary to construct internal water distribution lines and wastewater collection lines to the points of connection at PERENfra's plants. The District's internal facilities will be owned, operated, and maintained by the District at its sole cost. The initial term of the Utility Agreement is 50 years, which is renewable for consecutive ten-year terms thereafter unless terminated.

The District's source of water is surface water and ground water provided by PERENfra's water supply facilities and distributed to the District by way of 8-inch and 12-inch waterlines. PERENfra owns and operates a temporary water plant and a permanent water plant that serves the District. The District through PERENfra currently manages the wastewater treatment by pumping and hauling such wastewater from a manhole within the District to a nearby operational wastewater treatment plant. A wastewater treatment plant that will be owned and operated by PERENfra to service the District is currently under construction and anticipated to be operational by November 2026. Pursuant to the Utility Agreement, the District has reserved water supply and wastewater treatment capacity adequate to serve up to 1,500 equivalent single-family connections ("ESFCs"). According to the Engineer, such water supply and wastewater treatment capacity is adequate to serve the ultimate build out of the District given currently anticipated development plans. Pursuant to the terms of the Utility Agreement, PERENfra bills the District directly for water supply and wastewater treatment services at wholesale rates and the District bills residents and customers at retail rates.

Drainage and Detention Facilities

The underground storm drainage collection system serving Paloma, Section 2 and Sanford Farms, Sections 1 – 4 is complete, and the underground storm drainage collection system to serve Paloma, Section 1 and Sanford Farms, Sections 5 – 6 is currently under construction. All storm drainage improvements serving the District are designed in accordance with criteria established by the City and the Harris County Flood Control District. The District's drainage system utilizes a combination of curb and gutter street system to convey runoff within the District. Stormwater is collected through such curb and gutter system and storm sewers and is routed to a series of detention ponds within the District, which drain into Little Mound Creek and flow south to Mound Creek and ultimately to Cypress Creek.

100-Year Floodplain

According to the Engineer, approximately 55 acres of the land in the District's boundaries are located within the 100-year floodplain as determined by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Map No. 48201C0170M dated October 16, 2013, for Harris County, Texas. Based on current land plans, approximately 6 acres of such acreage in the 100-year flood are planned for future single-family residential development. However, the District intends to file a Letter of Map Revision removing the 6 acres from the 100-year flood plain.

General Fund Operating History

The Bonds are payable from the levy of an annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's operations is provided for information purposes only.

Fiscal Year Ended January 31 (a)		
REVENUES	**2026**	**2025**
Water service	$103,601	$4,515
Sewer service	$115,407	$6,223
Property taxes	$72,757	-
Penalties and interest	$3,756	$507
Regional water authority fees	$53,367	$367
Tap connection and inspection	$106,070	$122,640
Miscellaneous	$465	-
Investment earnings	$546	$80
TOTAL REVENUES	**$455,969**	**$134,332**
EXPENDITURES		
Current service operations:		
Purchased services	$338,641	$7,938
Professional fees	$155,734	$179,369
Contracted services	$96,297	$32,451
Repairs and maintenance	$78,592	$9,330
Regional water authority fees	$69,459	-
Administrative	$27,283	$27,608
Other	-	$1,020
Capital outlay (b)	$1,778,672	$1,242,608
TOTAL EXPENDITURES	**$2,544,678**	**$1,500,324**
OTHER FINANCING SOURCES		
Developer advances (b)	$1,863,012	$1,318,732
TOTAL OTHER FINANCING SOURCES	**$1,863,012**	**$1,318,732**
NET CHANGE IN FUND BALANCE	**($225,697)**	**($47,260)**
BEGINNING FUND BALANCE	**($47,260)**	**-**
ENDING FUND BALANCE (c)	**($272,957)**	**($47,260)**

(a) Data is taken from the District's audited financial statements. See "APPENDIX A." The information for the fiscal year ended January 31, 2025, represents the first year of audited financial statements.

(b) The District has been funded by operating advances from the Developers. As noted elsewhere in this Official Statement, the Developers have entered into an agreement with the District memorializing their obligation to make operating advances to the District as may be required from time to time. See "RISK FACTORS – Operating Funds." The capital outlay amounts for the fiscal years ended January 31, 2025, and January 31, 2026, are primarily attributable to capacity fees charged by PERENfra to the District pursuant to the Utility Agreement; such capacity fees were funded by operating advances from the Developers.

(c) As of October 8, 2026, the District's General Fund had an unaudited cash and investment balance of $59,078. For the fiscal year ending January 31, 2027, the District's General Fund is currently budgeting revenues of $866,500 and expenditures of $839,560. For the fiscal year ending January 31, 2027, the District is not currently budgeting any operating advances from the Developers.

THE ROADS

The District is financing and has financed certain of its costs of construction or acquisition of components of the road system (the "Roads"), which serves the property in the District. The portion of the Roads to be financed from the proceeds of the Bonds are comprised of those roads and related facilities described under "USE OF BOND PROCEEDS." The District expects to finance additional costs of acquisition or construction of the Roads, among other facilities that have been and will be constructed to serve the land within the District, with proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE BONDS – Issuance of Additional Debt" and "RISK FACTORS – Future Debt." The Roads serve the public by providing access to the major thoroughfares and collector roads within the Paloma and Sanford Farms subdivisions and the surrounding area.

The Roads lie within the public right-of-way. In addition to the roadway, public utilities such as underground water, wastewater and drainage facilities are located within the right-of-way or easement dedicated to the District. The right-of-way is also shared by streetlights, sidewalks, and franchise utilities, including power, gas, telephone, and cable utilities. The Roads have been designed and constructed in accordance with standards, rules, and regulations of Harris County. Upon completion, the Roads are conveyed to Harris County for ownership, operation and maintenance in accordance with the standard acceptance procedures. See "RISK FACTORS – Financing Road Facilities."

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board"), which has control over and management supervision of all affairs of the District. Each of the directors owns a parcel of land within the District that is subject to a note and deed of trust. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

Name	Title	Expires May
Paula Bays	President	2028
Tim Morrow	Vice President	2030
Amelia Cardona	Secretary	2030
Kameron Raisi	Assistant Vice President	2028
Mary O'Neill	Assistant Secretary	2028

Consultants

The District does not employ a general manager or any other full-time employees. The District has contracted for bookkeeping, tax assessing and collecting services, and annual auditing of its financial statements as follows:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Assessments of the Southwest, Inc., who is employed under an annual contract to perform the District's tax collection functions.

Bookkeeper – The District has contracted with Myrtle Cruz, Inc. for bookkeeping services.

Auditor – The financial statements of the District as of January 31, 2026, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's January 31, 2026, audited financial statements.

Utility System Operator – PERENfra is the operator of the System, except that Municipal District Services, LLC is the operator for the District's water and wastewater system beyond points of delivery by PERENfra.

Engineer – The consulting engineer for the District is Pape-Dawson Engineers, Inc. (the "Engineer").

Financial Advisor – The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds, if and when such bonds are delivered. See "OFFICIAL STATEMENT – Financial Advisor."

Legal Counsel – Allen Boone Humphries Robinson LLP serves as Bond Counsel to the District and as General Counsel for the District on matters other than the issuance of bonds. Payment for General Counsel services is based upon hourly fee charges. Payment of fees for Bond Counsel services are contingent upon sale and delivery of the Bonds.

Disclosure Counsel – McCall, Parkhurst & Horton LLP, Dallas, Texas, serves as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds and are contingent upon the sale and delivery of such Bonds.

DISTRICT INVESTMENT POLICY

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

DISTRICT DEBT

8/1/2026 Estimated Taxable Value	$121,074,366	(a)
2026 Certified Taxable Value	$72,367,645	(b)
Direct Debt:		
The Outstanding Bonds	$3,340,000	
The Bonds	$7,720,000	
Total Direct Debt	$11,060,000	
Estimated Overlapping Debt	$9,474,053	(c)
Direct and Estimated Overlapping Debt	$20,534,053	
Percentage of Direct Debt to:		
8/1/2026 Estimated Taxable Value	9.13%	
2026 Certified Taxable Value	15.28%	
Percentage of Direct and Estimated Overlapping Debt to:		
8/1/2026 Estimated Taxable Value	16.96%	
2026 Certified Taxable Value	28.37%	
2026 Tax Rate Per $100 of Assessed Value:		
Road Debt Service Tax	$0.05	
Maintenance and Operations Tax	$1.45	
Total 2026 Tax Rate	$1.50	
Cash and Temporary Investment Balances as of October 8, 2026:		
General Fund	$59,078	(d)
Road Debt Service Fund	$730,678	(e)

(a) Reflects data supplied by the Appraisal District. The Estimated Taxable Value as of August 1, 2026, was prepared by the Appraisal District and provided to the District. Such values are not binding on the Appraisal District and are provided for informational purposes only. Any value as a result of new construction since January 1, 2026 will not be included on the District's tax roll until the subsequent year's tax roll is prepared and certified by the Appraisal District. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

(b) Reflects the January 1, 2026, Certified Taxable Value according to data supplied to the District by the Appraisal District, which includes $23,150,871 of uncertified taxable value that is still in the certification process. Such amount of uncertified value represents the Appraisal District's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

(c) See "Estimated Overlapping Debt" herein.

(d) Unaudited figure per the District's records. The Developers have entered into an agreement with the District memorializing their obligation to make operating advances to the District as may be required from time to time. See "THE SYSTEM – General Fund Operating History" and "RISK FACTORS – Operating Funds."

(e) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Road Debt Service Fund. The cash and investment balance in the Road Debt Service Fund includes 18 months of capitalized interest to be funded with proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue," "USE OF BOND PROCEEDS," and "THE BONDS – Funds."

Estimated Overlapping Debt

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

		Overlapping Debt	
Taxing Jurisdiction	**Outstanding Debt**	**Overlapping %**	**Amount**
Waller Independent School District	$1,079,320,000	0.82%	$8,865,262
Harris County	$2,744,174,736	0.01%	$285,640
Harris County Department of Education	$28,960,000	0.01%	$3,013
Harris County Flood Control District	$1,001,580,000	0.01%	$106,491
Harris County Hospital District	$1,644,825,000	0.01%	$174,858
Port of Houston Authority	$364,789,397	0.01%	$38,789
Total Estimated Overlapping Debt			**$9,474,053**
The District (a)			$11,060,000
Total Direct and Estimated Overlapping Debt			**$20,534,053**

(a) Includes the Outstanding Bonds and the Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the year 2024 through 2025, and includes certain information for the 2026 tax year. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

Year	Taxable Valuation	Tax Rate (a)	Tax Levy	Cumulative Tax Collections (b)	Year Ended September 30
2026	$49,216,774 (c)	$1.50	$738,252	(d)	2027
2025	$18,752,536	$1.50	$281,288	97%	2026
2024	$4,850,502	$1.50	$72,758	100%	2025

(a) See “Tax Rate Distribution” herein.

(b) Represents cumulative collections as of September 30, 2026.

(c) Reflects only the portion of the January 1, 2026 Certified Taxable Value that is presently certified on the District’s tax roll and, therefore, excludes $23,150,871 of uncertified taxable value that is still in the certification process; such amount of uncertified value represents the Appraisal District’s estimate of the taxable value that will ultimately be certified on the District’s tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See “TAXING PROCEDURES."

(d) The District’s 2026 taxes are in the process of being levied. Such taxes become delinquent if not paid before February 1, 2027. See “TAXING PROCEDURES."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters authorized a maintenance tax of up to $1.50 per $100 of assessed valuation at an election held on May 4, 2024. The District's voters also authorized a road maintenance tax of up to $0.25 per $100 of assessed valuation at an election held on May 4, 2024. The District has never levied a road maintenance tax and the District currently has no plans to levy such tax. See “Tax Rate Distribution” herein.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2024 through 2026.

	2026	2025	2024
Road Debt Service	$0.05	$0.00	$0.00
Maintenance/Operations	$1.45	$1.50	$1.50
Total	**$1.50**	**$1.50**	**$1.50**

Additional Penalties

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

Principal Taxpayers

The list of principal taxpayers for 2026 and the other information provided by this table were provided by the Appraisal District to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of the Appraisal District.

Property Owner	Property Description	Property Value	% of Total
Meritage Homes of Texas LLC (a)	Land and Improvement	$10,505,160	21.34%
Century Land Holdings of Texas LLC (a)	Land and Improvement	$8,816,600	17.91%
660 SFR TX Operations II LLC	Land and Improvement	$3,041,669	6.18%
PERENfra TX-586 LLC	Land	$493,541	1.00%
510 SFR TX Operations	Land and Improvement	$451,266	0.91%
Homeowner	Land and Improvement	$376,781	0.76%
Homeowner	Land and Improvement	$345,635	0.70%
Homeowner	Land and Improvement	$344,995	0.70%
Homeowner	Land and Improvement	$344,674	0.70%
Homeowner	Land and Improvement	$341,873	0.69%
	TOTALS	**$25,062,194**	**50.89%**

(a) See “THE DEVELOPERS” and “RISK FACTORS – Dependence on Principal Taxpayers.”

Analysis of Tax Base

Based on information provided to the District by the Appraisal District and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2024 through 2026, and includes the August 1, 2026 Estimated Taxable Value.

Year	Land	Improvement	Personal Property	Gross Valuations	Exemptions	Taxable Valuations	
8/1/2026						$121,074,366	(a)
2026	$25,042,049	$27,492,426	$601,778	$53,136,253	$3,919,479	$49,216,774	(b)
2025	$11,499,389	$7,358,556	$18,415	$18,876,360	$123,824	$18,752,536	
2024	$4,850,502	$0	$0	$4,850,502	$0	$4,850,502	(c)

(a) The Estimated Taxable Value as of August 1, 2026, was prepared by the Appraisal District and provided to the District. Such values are not binding on the Appraisal District and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES.”

(b) Reflects only the portion of the January 1, 2026 Certified Taxable Value that is presently certified on the District’s tax roll and, therefore, excludes $23,150,871 of uncertified taxable value that is still in the certification process; such amount of uncertified value represents the Appraisal District’s estimate of the taxable value that will ultimately be certified on the District’s tax roll after successful protest.

(c) Homebuilding in the District commenced subsequent to January 1, 2024. See “THE DISTRICT – Status of Residential Development.”

Estimated Overlapping Taxes

The following table sets forth all 2025 taxes levied by overlapping taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

Taxing Jurisdictions	2025 Tax Rate
Waller Independent School District	$1.062600
Harris County (a)	$0.628928
Waller-Harris Emergency Services District No 200	$0.100000
Overlapping Taxes	**$1.791528**
The District (b)	$1.500000
Total Direct & Overlapping Taxes	**$3.291528**

(a) Includes taxes levied by Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and Port of Houston Authority.

(b) The District has adopted a total tax rate of $1.50 per $100 of assessed valuation for the 2026 tax year.

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District's General Fund to the Road Debt Service Fund, and no increase or decrease in assessed valuation over the August 1, 2026 Estimated Taxable Value and the 2026 Certified Taxable Value. The calculations utilize a tax rate adequate to service the District's total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2053).....$807,744

Requires a $0.71 debt service tax rate on the August 1, 2026 Estimated Taxable Value of $121,074,366 at 95% collections $816,647

Requires a $1.18 debt service tax rate on the 2026 Certified Taxable Value of $72,367,645 (a) at 95% collections $811,241

(a) Reflects the January 1, 2026 Certified Taxable Value according to data supplied to the District by the Appraisal District, which includes $23,150,871 of uncertified taxable value that is still in the certification process. Such amount of uncertified value represents the Appraisal District's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See "RISK FACTORS – Future Debt." The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Source of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by the voters in the District. See "DISTRICT TAX DATA – Maintenance Tax."

Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Appraisal District has the responsibility for appraising property for all taxing units within their respective county. Such appraisal values are subject to review and change by the Harris Central Appraisal Review Board (the "Appraisal Review Board"). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, and mobile homes, are subject to taxation by the District. Principal categories of exempt property include, but

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

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

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

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business is 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 the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land, and timberland. The Developer in the District has waived its right to agricultural use, open space, or timber land exemptions.

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

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option

of the District, may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, 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 and land designated for agricultural use and six months for all other property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing

units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six months for commercial property, within two years for residence homesteads and land designated for agricultural use, and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections."

ANNEXATION AND CONSOLIDATION

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation.

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

Consolidation

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

THE BONDS

General

The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes terms, conditions, and provisions for the payment of the principal of, and interest, on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Resolution. Capitalized terms in such summary are used as defined in the Bond Resolution. Such summary is not a complete description of the entire Bond Resolution and is qualified in its entirety by reference to the Bond Resolution, a copy of which is available from the District's Bond Counsel upon request.

The Bonds are dated and bear interest from December 1, 2026, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable April 1, 2027, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of $5,000 of the principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds, will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

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

Optional Redemption

The Bonds maturing on and after April 1, 2032, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on April 1, 2031, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

Notice of each exercise of the right of redemption will be given at least thirty (30) calendar days prior to the date fixed for redemption by the mailing of a notice by the Paying Agent/Registrar to each of the registered owners of the Bonds to be redeemed at

the address shown on the records of the Paying Agent/Registrar on the date which is forty-five (45) calendar days prior to the redemption date. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than $5,000 in principal amount may be redeemed in part ($5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

Source of and Security for Payment

The Bonds are secured by, and payable from, the levy of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal District fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District.

Defeasance

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

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

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

Funds

In the Bond Resolution, the Road Debt Service Fund is confirmed and the proceeds from all taxes levied, appraised, and collected for and on account of the Bonds authorized by the Bond Resolution, shall be deposited as collected in such fund.

Accrued interest on the Bonds and 18 months of capitalized interest shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Road Capital Projects Fund to be used for the purpose of reimbursing the Developers for construction costs, land acquisition costs, and for paying the costs of issuance of the Bonds. Any monies remaining in the Road Capital Projects Fund will be used as described in the Bond Resolution or ultimately transferred to the Road Debt Service Fund. See “USE OF BOND PROCEEDS” for a complete description of the proceeds of the Bonds.

No Arbitrage

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

Paying Agent/Registrar

Pursuant to the Bond Resolution, the initial paying agent and initial registrar with respect to the Bonds is BOKF, N.A., Dallas, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, any outstanding bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Resolution to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Dallas, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within 30 calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

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

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 authorities, 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 authorities, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured 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 concerning other laws, rules, regulations, or investment criteria 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 on May 4, 2024, the District's voters authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

Amount	Purpose
$384,500,000	For certain water, wastewater, and drainage facilities and for refunding
$119,000,000	For certain road facilities and for refunding
$32,200,000	For certain parks and recreational facilities and for refunding

After the issuance of the Bonds, the District will have the following amounts that remain authorized but unissued: (i) $384,500,000 of unlimited tax bonds for water, wastewater, and drainage facilities and for refunding such bonds previously issued; (ii) $107,940,000 of unlimited tax bonds for road facilities and for refunding such bonds previously issued; and (iii) $32,200,000 of unlimited tax bonds for parks and recreational facilities and for refunding such bonds previously issued.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except for new money road bonds) to be issued by the District must also be approved by the TCEQ.

Further, the principal amount of park bonds issued by the District is limited to one percent of the District's taxable valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the principal amount of such bonds issued by the District is limited to three percent of the District's taxable valuation. See "RISK FACTORS – Financing Parks and Recreational Facilities."

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, 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) amendment of the existing City of Houston ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering authorizing preparation of a fire plan or calling a fire bond election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee 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, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (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 United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 securities representing their ownership interests in the Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL MATTERS

Legal Proceedings

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

Legal Review

In its capacity as Bond Counsel, Allen Boone Humphries Robinson LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12," "THE DISTRICT – Authority," "TAXING PROCEDURES," "ANNEXATION AND CONSOLIDATION," "THE BONDS," "LEGAL MATTERS – Legal Proceedings" (to the extent such section relates to the opinion of Bond Counsel) and "– Legal Review," "TAX MATTERS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy

or completeness of any of the other information contained herein. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind, with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

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

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

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX MATTERS

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

Tax Exemption

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

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

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

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program

to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer, and the Owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds, regardless of the ultimate outcome of the audit.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed $10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2026 is not expected to exceed $10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2026.

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

Additional Federal Income Tax Considerations

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount: If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner

is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences" and "– Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

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

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

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

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

OFFICIAL STATEMENT

Sources of Information

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

Financial Advisor

The GMS Group, L.L.C. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, The GMS Group, L.L.C. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this Official Statement, the District has relied upon the following consultants:

Engineer – The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "THE SYSTEM," "USE OF BOND PROCEEDS," and certain engineering matters included in "THE DISTRICT – Description and Location," "THE DISTRICT – Land Uses and Status of Land Development," and "THE ROADS" has been provided by Pape-Dawson Engineers, Inc. and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector – The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned "DISTRICT TAX DATA," has been provided by the Appraisal District and by Assessments of the Southwest, Inc., in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor – The financial statements of the District as of January 31, 2026, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's January 31, 2026, audited financial statements.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District's audit report is required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

Certification as to Official Statement

The Board of Directors of the District, acting in its official capacity and in reliance upon the consultants listed above and certain certificates of representation to be provided to the Board, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in the 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 of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Underwriter.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 586 as of the date shown on the cover page.

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED JANUARY 31, 2026

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 586

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

January 31, 2026

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McGRATH & CO., PLLC

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

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 586
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 586 (the "District"), as of and for the year ended January 31, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Municipal Utility District No. 586, as of January 31, 2026, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Supplementary Information

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



Houston, Texas
May 14, 2026

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Management's Discussion and Analysis

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Using this Annual Report

This section of the financial report of Harris County Municipal Utility District No. 586 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended January 31, 2026. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at January 31, 2026, was negative $3,873,976. The District's net position is negative because the District incurs debt to construct road facilities which it conveys to other governmental entities and because the District relies on advances from its developers to fund operating costs. A comparative summary of the District's overall financial position, as of January 31, 2026 and 2025, is as follows:

	2026	2025
Current and other assets	$ 758,207	$ 188,014
Capital assets	8,286,927	2,211,677
Total assets	9,045,134	2,399,691
Current liabilities	480,689	162,516
Long-term liabilities	12,125,370	2,304,895
Total liabilities	12,606,059	2,467,411
Total deferred inflows of resources	313,051	72,758
Net position		
Net investment in capital assets	(671,870)	56,426
Restricted	234,927	
Unrestricted	(3,437,033)	(196,904)
Total net position	$ (3,873,976)	$ (140,478)

The total net position of the District decreased during the current fiscal year by $3,733,498. A comparative summary of the District's *Statement of Activities* for the current fiscal year and prior thirteen-month inception period is as follows:

	2026	2025
Revenues		
Water and sewer service	$ 219,008	$ 10,738
Property taxes, penalties and interest	76,513	507
Regional water authority fees	53,367	367
Tap connection and inspection	106,070	122,640
Other	2,237	80
Total revenues	457,195	134,332
Expenses		
Current service operations	786,111	257,716
Debt interest and fees	20,932	
Developer interest	178,612	
Debt issuance costs	294,219	
Depreciation and amortization	193,782	17,094
Total expenses	1,473,656	274,810
Change in net position before other items	(1,016,461)	(140,478)
Other items		
Transfers to other governments	(2,717,037)	
Change in net position	(3,733,498)	(140,478)
Net position, beginning of year	(140,478)	
Net position, end of year	$ (3,873,976)	$ (140,478)

Financial Analysis of the District's Funds

The District's combined fund balances, as of January 31, 2026, were negative $14,600, which consists of negative $272,957 in the General Fund, $255,860 in the Debt Service Fund and $2,497 in the Capital Projects Fund.

General Fund

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

	2026	2025
Total assets	$ 494,850	$ 188,014
Total liabilities	$ 454,756	$ 162,516
Total deferred inflows	313,051	72,758
Total fund balance	(272,957)	(47,260)
Total liabilities, deferred inflows and fund balance	$ 494,850	$ 188,014

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

	2026	2025
Total revenues	$ 455,969	$ 134,332
Total expenditures	(2,544,678)	(1,500,324)
Revenues under expenditures	(2,088,709)	(1,365,992)
Other changes in fund balance	1,863,012	1,318,732
Net change in fund balance	$ (225,697)	$ (47,260)

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District, tap connection fees charged to homebuilders in the District and developers advances. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2024 levy was recognized as revenues in the 2026 fiscal year, (to the extent that these amounts were collected).
- Water, sewer and regional water authority fee revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.
- Developers in the District advance funds to the District as needed to pay operating costs and water and wastewater capacity charges.

The District relies on advances from its developer to supplement revenues shortfalls. The deficit fund balance in the General Fund is the result of timing differences between developer advances and expenditures for which those advances are intended to fund.

Debt Service Fund

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

Total assets	$ 255,860
Total fund balance	$ 255,860

A summary of activities of the Debt Service Fund at January 31, 2026, is as follows:

Total revenues	$ 1,226
Total expenditures	
Revenues over expenditures	1,226
Other changes in fund balance	254,634
Net change in fund balance	$ 255,860

Capital Projects Fund

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

Total assets	$ 7,497
Total liabilities	$ 5,000
Total fund balance	2,497
Total liabilities and fund balance	$ 7,497

A summary of activities of the Capital Projects Fund at January 31, 2026, is as follows:

Total revenues	$ -
Total expenditures	(3,082,869)
Revenues under expenditures	(3,082,869)
Other changes in fund balance	3,085,366
Net change in fund balance	$ 2,497

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $223,637 less than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

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

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

	2026	2025
Capital assets not being depreciated		
Land and improvements	$ 986,163	$ 986,163
Capital assets being depreciated/amortized		
Landscaping improvements	782,585	
Infrastructure	3,846,945	73,510
Capacity fees	2,882,110	1,169,098
	7,511,640	1,242,608
Less accumulated depreciation/amortization		
Landscaping improvements	(39,129)	
Infrastructure	(103,663)	(7,351)
Capacity fees	(68,084)	(9,743)
	(210,876)	(17,094)
Depreciable capital assets, net	7,300,764	1,225,514
Capital assets, net	$ 8,286,927	$ 2,211,677

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

- Water and wastewater capacity fees
- Water meter
- Water plant temporary access road
- Paloma Section 2 and Phase 1 detention - utilities
- Paloma Section 2 - neighborhood park, trails, landscape and irrigation

Additionally, Harris County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developers are reimbursed. For the year ended January 31, 2026, capital assets in the amount of $2,717,037 have been recorded as transfers to other governments in the government-wide statements.

Long-Term Debt and Related Liabilities

As of January 31, 2026, the District owes approximately $8,785,370 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 5, the District has an additional commitment in the amount of $25,250,000 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers is trued up when the developers are reimbursed.

During the current fiscal year, the District issued $3,340,000 in unlimited tax road bonds, all of which were outstanding as of the end of the fiscal year. The District did not have any bonded debt as of January 31, 2025.

At January 31, 2026, the District had $384,500,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and for the refunding of such bonds; $32,200,000 for recreational facilities and for the refunding of such bonds; and $115,660,000 for road improvements and for refunding of such bonds.

Next Year's Budget

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

	2026 Actual	2027 Budget
Total revenues	$ 455,969	$ 866,500
Total expenditures	(2,544,678)	(839,560)
Revenues over/(under) expenditures	(2,088,709)	26,940
Other changes in fund balance	1,863,012	
Net change in fund balance	(225,697)	26,940
Beginning fund balance	(47,260)	(272,957)
Ending fund balance	$ (272,957)	$ (246,017)

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Basic Financial Statements

Harris County Municipal Utility District No. 586
Statement of Net Position and Governmental Funds Balance Sheet
January 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 304,189	$ -	$ 7,497	$ 311,686	$ -	$ 311,686
Investments		255,860		255,860		255,860
Taxes receivable	162,711			162,711		162,711
Customer service receivables	24,902			24,902		24,902
Prepaid items	3,048			3,048		3,048
Capital assets not being depreciated					986,163	986,163
Capital assets, net					7,300,764	7,300,764
Total Assets	$ 494,850	$ 255,860	$ 7,497	$ 758,207	8,286,927	9,045,134
Liabilities						
Accounts payable	$ 408,121	$ -	$ 5,000	$ 413,121		413,121
Other payables	11,085			11,085		11,085
Customer deposits	25,300			25,300		25,300
Builder deposits	1,500			1,500		1,500
Unearned revenue	8,750			8,750		8,750
Accrued interest payable					20,933	20,933
Due to developer					8,785,370	8,785,370
Long-term debt						
Due after one year					3,340,000	3,340,000
Total Liabilities	454,756		5,000	459,756	12,146,303	12,606,059
Deferred Inflows of Resources						
Deferred property taxes	313,051			313,051		313,051
Fund Balances/Net Position						
Fund Balances						
Nonspendable	3,048			3,048	(3,048)	
Restricted		255,860	2,497	258,357	(258,357)	
Unassigned	(276,005)			(276,005)	276,005	
Total Fund Balances	(272,957)	255,860	2,497	(14,600)	14,600	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 494,850	$ 255,860	$ 7,497	$ 758,207		
Net Position						
Net investment in capital assets					(671,870)	(671,870)
Restricted for debt service					234,927	234,927
Unrestricted					(3,437,033)	(3,437,033)
Total Net Position					$ (3,873,976)	$ (3,873,976)

See notes to basic financial statements.

Harris County Municipal Utility District No. 586
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended January 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	$ 103,601	$ -	$ -	$ 103,601	$ -	$ 103,601
Sewer service	115,407			115,407		115,407
Property taxes	72,757			72,757		72,757
Penalties and interest	3,756			3,756		3,756
Regional water authority fees	53,367			53,367		53,367
Tap connection and inspection	106,070			106,070		106,070
Miscellaneous	465			465		465
Investment earnings	546	1,226		1,772		1,772
Total Revenues	455,969	1,226	-	457,195	-	457,195
Expenditures/Expenses						
Current service operations						
Purchased services	338,641			338,641		338,641
Professional fees	155,734		20,000	175,734		175,734
Contracted services	96,297			96,297		96,297
Repairs and maintenance	78,592			78,592		78,592
Regional water authority fees	69,459			69,459		69,459
Administrative	27,283			27,283		27,283
Other			105	105		105
Capital outlay	1,778,672		2,589,933	4,368,605	(4,368,605)	
Debt service						
Interest and fees					20,932	20,932
Developer interest			178,612	178,612		178,612
Debt issuance costs			294,219	294,219		294,219
Depreciation and amortization					193,782	193,782
Total Expenditures/Expenses	2,544,678		3,082,869	5,627,547	(4,153,891)	1,473,656
Revenues Over/(Under) Expenditures/Expenses	(2,088,709)	1,226	(3,082,869)	(5,170,352)	4,153,891	(1,016,461)
Other Financing Sources						
Proceeds from sale of bonds		254,634	3,085,366	3,340,000	(3,340,000)	
Developer advances	1,863,012			1,863,012	(1,863,012)	
Other Items						
Transfers to other governments					(2,717,037)	(2,717,037)
Net Change in Fund Balances	(225,697)	255,860	2,497	32,660	(32,660)	
Change in Net Position					(3,733,498)	(3,733,498)
Fund Balance/Net Position						
Beginning of the year	(47,260)			(47,260)	(93,218)	(140,478)
End of the year	$ (272,957)	$ 255,860	$ 2,497	$ (14,600)	$ (3,859,376)	$ (3,873,976)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 586 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated November 21, 2023, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on January 12, 2024 and the first bonds were issued on December 16, 2025.

The District's primary activities include construction, maintenance and operation of water, sewer and drainage facilities, road improvements and park and recreational facilities. As further discussed in Note 8, the District transfers public road facilities to Harris County for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

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

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Interfund Activity

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

Capital Assets

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

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

Depreciable capital assets, which primarily consist of water, wastewater, and drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	10 - 45 years
Landscaping improvements	20 years
Capacity fees	Remaining life of contract

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Additionally, collections of the 2025 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred inflows of financial resources at the government-wide level consist of the 2025 property tax levy, which was levied to finance the 2027 fiscal year.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the

extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned – deficit fund balance in the General Fund.

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

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		$ (14,600)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 8,497,803	
Less accumulated depreciation/amortization	(210,876)	
		8,286,927
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Accrued interest payable	(20,933)	
Due to developer	(8,785,370)	
Bonds payable	(3,340,000)	
		(12,146,303)
Total net position - governmental activities		$ (3,873,976)

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

Net change in fund balances - total governmental funds		$ 32,660
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities.		
Differences during the current fiscal year are for the following:		
Capital outlays	$ 4,368,605	
Depreciation/amortization expense	(193,782)	
Transfers to other governments	(2,717,037)	
		1,457,786
Financial reporting for long-term obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as liabilities are acquired and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future.		
Differences during the current fiscal year are for the following:		
Issuance of long-term debt	(3,340,000)	
Developer advances	(1,863,012)	
Interest expense accrual	(20,932)	
		(5,223,944)
Change in net position of governmental activities		$ (3,733,498)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

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

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	Debt Service	$ 255,860	AAAm	34 days

TexSTAR

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Capital Assets

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

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 986,163	$ -	$ 986,163
Capital assets being depreciated/amortized			
Landscaping improvements		782,585	782,585
Infrastructure	73,510	3,773,435	3,846,945
Capacity fees	1,169,098	1,713,012	2,882,110
	1,242,608	6,269,032	7,511,640
Less accumulated depreciation/amortization			
Landscaping improvements		(39,129)	(39,129)
Infrastructure	(7,351)	(96,312)	(103,663)
Capacity fees	(9,743)	(58,341)	(68,084)
	(17,094)	(193,782)	(210,876)
Subtotal depreciable capital assets, net	1,225,514	6,075,250	7,300,764
Capital assets, net	$ 2,211,677	$ 6,075,250	$ 8,286,927

Depreciation/amortization expense for the current fiscal year was $193,782.

Note 5 – Due to Developers

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

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

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

Due to developers, beginning of year	$ 2,304,895
Developer reimbursements	(2,589,933)
Developer funded construction and adjustments	7,207,396
Developer advances - operating	150,000
Developer advances - capacity charges	1,713,012
Due to developers, end of year	$ 8,785,370

In addition, the District will owe the developers approximately $25,250,000 which is included in the schedule of contractual commitments below. The projects in this schedule are in varying stages of completion and, as previously noted, will be reported in the government-wide financial statements upon completion of construction. The exact amount due to the developers is not known until approved by the TCEQ and verified by the District's auditor.

	Contract Amount *
Sanford Farms Detention Phase 1, part A - clearing and grubbing and detention	$ 3,100,000
Sanford Farms Street Dedication Section 1 and 2, Sanford Farms offsite water line, Sanford Farms offsite sanitary sewer, and 8" and 12" offsite water line for Paloma - utilities and paving	2,870,000
Sanford Farms Section 1 - utilities	1,500,000
Sanford Farms Section 1 - paving	1,100,000
Sanford Farms Section 2 - utilities	2,340,000
Sanford Farms Section 2 - paving	1,640,000
Sanford Farms lift station	1,100,000
Kickapoo left turn lanes	550,000
Sanford Farms Detention Phase 2 - clearing and grubbing and detention	2,940,000
Sanford Farms Section 3 - utilities	1,520,000
Sanford Farms Section 3 - paving	1,310,000
Sanford Farms Section 4 - utilities	1,000,000
Sanford Farms Section 4 - paving	1,280,000
Sanford Farms Phase 1 perimeter fencing	790,000
Sanford Farms Phase 2 perimeter fencing	690,000
Sanford Farms Phase 1 landscape improvements	1,520,000
	$ 25,250,000

* Rounded to the nearest $10,000

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 3,340,000
Due within one year	$ -

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2025 Road	$ 3,340,000	$ 3,340,000	4.25% - 7.25%	April 1, 2029/2053	April 1, October 1	April 1, 2031

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

At January 31, 2026, the District had authorized but unissued bonds in the amount of $384,500,000 for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and for the refunding of such bonds; $32,200,000 for park and recreational facilities and for the refunding of such bonds; and $115,660,000 for road improvements and for the refunding of such bonds.

On December 16, 2025, the District issued its $3,340,000 Series 2025 Unlimited Tax Road Bonds at a net effective interest rate of 4.896381%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and (2) to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	$ -
Bonds issued	3,340,000
Bonds payable, end of year	$ 3,340,000

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

Year	Principal	Interest	Totals
2027	$ -	$ 137,640	$ 137,640
2028		165,169	165,169
2029		165,168	165,168
2030	65,000	162,813	227,813
2031	70,000	157,918	227,918
2032	75,000	152,662	227,662
2033	80,000	147,044	227,044
2034	85,000	141,063	226,063
2035	85,000	134,900	219,900
2036	90,000	129,569	219,569
2037	95,000	125,300	220,300
2038	100,000	121,157	221,157
2039	105,000	116,800	221,800
2040	115,000	112,053	227,053
2041	120,000	106,913	226,913
2042	125,000	101,553	226,553
2043	130,000	95,894	225,894
2044	140,000	89,819	229,819
2045	145,000	83,406	228,406
2046	155,000	76,560	231,560
2047	160,000	69,276	229,276
2048	170,000	61,644	231,644
2049	180,000	53,550	233,550
2050	190,000	44,994	234,994
2051	200,000	35,975	235,975
2052	210,000	26,362	236,362
2053	220,000	16,149	236,149
2054	230,000	5,462	235,462
	$ 3,340,000	$ 2,836,813	$ 6,176,813

Note 7 – Property Taxes

On May 4, 2024, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. The voters of the District also authorized the District's Board of Directors to levy taxes annually for road maintenance limited to $0.25 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District's use during the current fiscal year. Consequently, 2025 levy collections in the amount of $150,340 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2025 tax levy of $313,051 is reported as deferred inflows. These amounts will be recognized as revenue in 2027.

Note 8 – Transfers to Other Governments

Harris County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Harris County, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developers are subsequently reimbursed. For the year ended January 31, 2026, the District recorded transfers to other governments in the amount of $2,717,037 for road facilities constructed by a developer within the District.

Note 9 – Wholesale Agreement for Water and Wastewater Service

On September 13, 2024, the District and PERENfra TX-586, LLC ("PERENfra"), entered into a Wholesale Agreement for Water and Wastewater Services (the "Agreement") for the purchase of wholesale water supply and wastewater treatment services necessary to serve customers within the District. PERENfra is responsible for all costs necessary to construct a water treatment plant and wastewater treatment plant facility (the "plants") sufficient to provide water and wastewater treatment services for the full development of the District. While PERENfra is responsible for the operation and maintenance of the plants, it recovers these costs through capacity fees and wholesale rates charged to the District. The initial term of the agreement is fifty years, renewable for consecutive ten-year terms thereafter unless terminated.

The District is responsible for all costs necessary to construct internal water lines and sewer conveyance lines to the points of connection at the plants. The District's internal facilities will be owned, operated, and maintained by the District at its sole cost.

The District reserves the right to 1,500 ESFCs of water and wastewater capacity, with capacity fees payable in phases as development progresses, based on specific milestones such as plat recordation and lot development. During the current fiscal year, the District paid $1,713,012 in capacity fees.

The District is required to pay for wholesale water and wastewater services based on rates set by PERENfra, which may be adjusted periodically to reflect operational costs and regulatory changes. During the current fiscal year, the District paid $338,641 in purchased services.

Note 10 – Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (the "Authority"), which was created by the Texas Legislature. The Authority is a political subdivision of the State of Texas, governed by an elected five-member Board of Directors. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Coastal Subsidence District, which regulates groundwater withdrawal.

As of January 31, 2026, the Authority's rate is $3.95 per 1,000 gallons of surface water supplied to the District. This rate is subject to future increases. The District passes this cost on to its customers. During the current fiscal year, the District recognized $53,367 in revenues and $69,459 in expenditures related to surface water conversion.

Note 11 – Risk Management

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

Note 12 – Concentration Risk

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

Required Supplementary Information

Harris County Municipal Utility District No. 586
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended January 31, 2026

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	$ 37,385	$ 103,601	$ 66,216
Sewer service	43,615	115,407	71,792
Property taxes		72,757	72,757
Penalties and interest	500	3,756	3,256
Tap connection and inspection	180,000	106,070	(73,930)
Regional water authority fees	25,000	53,367	28,367
Miscellaneous		465	465
Investment earnings		546	546
Total Revenues	286,500	455,969	169,469
Expenditures			
Current service operations			
Purchased services	65,000	338,641	(273,641)
Professional fees	122,000	155,734	(33,734)
Contracted services	59,500	96,297	(36,797)
Repairs and maintenance	13,000	78,592	(65,592)
Regional water authority fees	25,000	69,459	(44,459)
Administrative	33,060	27,283	5,777
Other	5,000		5,000
Capital outlay	106,000	1,778,672	(1,672,672)
Total Expenditures	428,560	2,544,678	(2,116,118)
Revenues Under Expenditures	(142,060)	(2,088,709)	(1,946,649)
Other Financing Sources			
Developer advances	140,000	1,863,012	1,723,012
Net Change in Fund Balance	(2,060)	(225,697)	(223,637)
Fund Balance			
Beginning of the year	(47,260)	(47,260)	
End of the year	$ (49,320)	$ (272,957)	$ (223,637)

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Harris County Municipal Utility District No. 586
TSI-1. Services and Rates
January 31, 2026

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

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

[ ] Participates in joint venture, regional system and/or wastewater service (other than emergency interco

[ ] Other (Specify): _____

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	$ 36.44	6,000	N	$ 6.24	6,001 to no limit
Wastewater:	$ 50.75	5,000	N	$ 9.87	5,001 to no limit
RWA fee	$ 3.95	0	N	$ 3.95	1,000 to no limit

District employs winter averaging for wastewater usage? [ ] Yes [X] No

Total charges per 10,000 gallons usage: Water $ 61.40 Wastewater $ 100.10

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	184	184	x 1.0	184
1"	3	3	x 2.5	8
1.5"	1	1	x 5.0	5
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	188	188		197
Total Wastewater	184	184	x 1.0	184

See accompanying auditor's report.

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

Gallons pumped into system:	16,531,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	13,614,000	82.35%

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

Does the District have Debt Service standby fees? Yes [ ] No [X]

If yes, Date of the most recent commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes [ ] No [X]

If yes, Date of the most recent commission Order: _____

5. Location of District

Is the District located entirely within one county? Yes [X] No [ ]

County(ies) in which the District is located: Harris County

Is the District located within a city? Entirely [ ] Partly [ ] Not at all [X]

City(ies) in which the District is located: _____

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely [X] Partly [ ] Not at all [ ]

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes [ ] No [X]

If Yes, by whom? _____

See accompanying auditor's report.

Harris County Municipal Utility District No. 586
TSI-2. General Fund Expenditures
For the Year Ended January 31, 2026

Purchased services	$ 338,641
Professional fees	
Legal	119,535
Audit	14,000
Engineering	22,199
	155,734
Contracted services	
Bookkeeping	12,000
Operator	15,798
Garbage collection	17,286
Tap connection and inspection	40,748
Tax assessor/collector	7,050
Appraisal district fee	3,415
	96,297
Repairs and maintenance	78,592
Regional water authority	69,459
Administrative	
Directors fees	22,105
Printing and office supplies	2,304
Insurance	3,176
Other	(302)
	27,283
Capital outlay	1,778,672
Total expenditures	$ 2,544,678

See accompanying auditor's report.

Harris County Municipal Utility District No. 586
TSI-3. Investments
January 31, 2026

Fund	Interest Rate	Maturity Date	Balance at End of Year
Debt Service			
TexSTAR	Variable	N/A	$ 255,860

See accompanying auditor's report.

Harris County Municipal Utility District No. 586
TSI-4. Taxes Levied and Receivable
January 31, 2026

		Maintenance Taxes
Taxes Receivable, Beginning of Year		$ 72,758
2025 Original Tax Levy		240,312
Adjustments		72,739
Adjusted Tax Levy		313,051
Total to be accounted for		385,809
Tax collections:		
Current year		150,340
Prior year		72,758
Total Collections		223,098
Taxes Receivable, End of Year		$ 162,711
Taxes Receivable, By Year		
2025		$ 162,711

	2025	2024
Property Valuations:		
Land	$ 13,537,344	$ 4,850,502
Improvements	7,314,286	
Personal Property	18,415	
Total Property Valuations	$ 20,870,045	$ 4,850,502
Tax Rates per $100 Valuation:		
Maintenance tax rates	$ 1.50	$ 1.50
Adjusted Tax Levy:	$ 313,051	$ 72,758
Percentage of Taxes Collected to Taxes Levied ***	48.02%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on May 4, 2024
** Maximum Road Tax Rate Approved by Voters: $0.25 on May 4, 2024
*** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditor's report.

Harris County Municipal Utility District No. 586
TSI-5. Long-Term Debt Service Requirements
Series 2025 Road--by Years
January 31, 2026

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2027	$ -	$ 137,640	$ 137,640
2028		165,169	165,169
2029		165,168	165,168
2030	65,000	162,813	227,813
2031	70,000	157,918	227,918
2032	75,000	152,662	227,662
2033	80,000	147,044	227,044
2034	85,000	141,063	226,063
2035	85,000	134,900	219,900
2036	90,000	129,569	219,569
2037	95,000	125,300	220,300
2038	100,000	121,157	221,157
2039	105,000	116,800	221,800
2040	115,000	112,053	227,053
2041	120,000	106,913	226,913
2042	125,000	101,553	226,553
2043	130,000	95,894	225,894
2044	140,000	89,819	229,819
2045	145,000	83,406	228,406
2046	155,000	76,560	231,560
2047	160,000	69,276	229,276
2048	170,000	61,644	231,644
2049	180,000	53,550	233,550
2050	190,000	44,994	234,994
2051	200,000	35,975	235,975
2052	210,000	26,362	236,362
2053	220,000	16,149	236,149
2054	230,000	5,462	235,462
	$ 3,340,000	$ 2,836,813	$ 6,176,813

See accompanying auditor's report.

Harris County Municipal Utility District No. 586
TSI-6. Change in Long-Term Bonded Debt
January 31, 2026

	Bond Issue
	Series 2025 Road
Interest rate	4.25% - 7.25%
Dates interest payable	4/1; 10/1
Maturity dates	4/1/29 - 4/1/53
Beginning bonds outstanding	$ -
Bonds issued	3,340,000
Ending bonds outstanding	$ 3,340,000
Interest paid during fiscal year	$ -
Paying agent's name and city	
Series 2025 Road	BOKF, N.A., Dallas, Texas

Bond Authority:	Water, Sewer and Drainage Bonds and Refunding	Recreational Bonds and Refunding	Road Bonds and Refunding
Amount Authorized by Voters	$ 384,500,000	$ 32,200,000	$ 119,000,000
Amount Issued			(3,340,000)
Remaining To Be Issued	$ 384,500,000	$ 32,200,000	$ 115,660,000

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

Debt Service Fund cash and investments balance as of January 31, 2026:	$ 255,860
Average annual debt service payment (principal and interest) for remaining term of all deb	$ 220,600

See accompanying auditor's report.

Harris County Municipal Utility District No. 586
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Two Fiscal Years

	Amounts		Percent of Fund Total Revenues	
	2026	2025**	2026	2025**
Revenues				
Water service	$ 103,601	$ 4,515	23%	4%
Sewer service	115,407	6,223	25%	5%
Property taxes	72,757		16%	
Penalties and interest	3,756	507	1%	*
Regional water authority fees	53,367	367	12%	*
Tap connection and inspection	106,070	122,640	23%	91%
Miscellaneous	465		*	
Investment earnings	546	80	*	*
Total Revenues	455,969	134,332	100%	100%
Expenditures				
Current service operations				
Purchased services	338,641	7,938	74%	6%
Professional fees	155,734	179,369	34%	134%
Contracted services	96,297	32,451	21%	24%
Repairs and maintenance	78,592	9,330	17%	7%
Regional water authority fees	69,459		15%	
Administrative	27,283	27,608	6%	21%
Other		1,020		1%
Capital outlay	1,778,672	1,242,608	390%	925%
Total Expenditures	2,544,678	1,500,324	557%	1118%
Revenues Under Expenditures	(2,088,709)	(1,365,992)	(457%)	(1,018%)
Other Financing Sources				
Developer advances	1,863,012	1,318,732		
Net Change in Fund Balance	(225,697)	(47,260)		
Fund Balance, Beginning of the year	(47,260)			
End of the year	$ (272,957)	$ (47,260)		
Total Active Retail Water Connections	188	88		
Total Active Retail Wastewater Connections	184	84		

*Percentage is negligible
** Thirteen month inception period
See accompanying auditor's report.

Harris County Municipal Utility District No. 586
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Current Fiscal Year

	Amounts	Percent of Fund Total Revenues
	2026	2026
Revenues		
Investment earnings	$ 1,226	100%
Expenditures	-	0%
Revenues Over Expenditures	1,226	100%
Other Financing Sources		
Proceeds from sale of bonds	254,634	
Net Change in Fund Balance	255,860	
Fund Balance, Beginning of the year		
End of the year	$ 255,860	

See accompanying auditor's report.

Harris County Municipal Utility District No. 586
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended January 31, 2026

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027

District Business Telephone Number: (713) 860-6400

Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): May 21, 2024

Limit on Fees of Office that a Director may receive during a fiscal year: $ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Paula Bays	05/24 - 05/28	$ 3,094	$ 2,098	President
Tim Morrow	05/24 - 05/26	3,536	1,380	Vice President
Amelia Cardona	05/24 - 05/26	2,210	397	Secretary
Kameron Raisi	05/24 - 05/28	1,989	72	Assistant Vice President
Mary O'Neill	05/24 - 05/28	2,431	22	Assistant Secretary
Consultants		Amounts Paid		
Allen Boone Humphries Robinson LLP	2024			Attorney
General legal fees		$ 124,863		
Bond counsel		101,840		
Municipal District Services, LLC	2024	196,223		Operator
Myrtle Cruz, Inc.	2024	16,769		Bookkeeper
Assessments of the Southwest, Inc.	2024	7,050		Tax Collector
Harris Central Appraisal District	Legislation	3,415		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2024			Delinquent Tax Attorney
Pape-Dawson Engineers, Inc.	2024	35,476		Engineer
McGrath & Co., PLLC	2024	21,450		Auditor
The GMS Group	2024	68,670		Financial Advisor
KGA DeForest Design, LLC	2025	11,619		Landscape Architect

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

See accompanying auditor's report.

APPENDIX B

PHOTOGRAPHS TAKEN IN THE DISTRICT














SANFORD FARMS











APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY®

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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

SPECIMEN

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

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

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

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

ASSURED GUARANTY INC.

By _____
Authorized Officer

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

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