



CONTROL #21.00

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7

\$60,100,000.00

UNLIMITED TAX LEVEE IMPROVEMENT BONDS, SERIES 2020

**PROJECT YIELD RESTRICTION CALCULATIONS
FOR THE 05TH YEAR COMPUTATION PERIOD
SEPTEMBER 24, 2023 TO SEPTEMBER 24, 2025**

**AS OF THE DATE OF THIS REPORT
NOVEMBER 06, 2025**



Fort Bend County Levee Improvement District No. 7 ("Issuer")

FORVIS
2700 Post Oak Blvd Suite 1500
Houston, Texas 77056

CONTROL #21.00

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We have enclosed the yield restriction calculation report for the above-referenced issue of tax-exempt debt ("Debt"). The computations following as Exhibits have been performed by ACS and are based upon the limited scope of ACS' engagement with information, instructions, assumptions and representations as provided to ACS by the Issuer. Using procedures, which ACS has developed for calculating the Yield Reduction Payment Amount, ACS has computed the amount of the Yield Reduction Payment with respect to the Debt for the Computation Period in accordance with the applicable provisions of the Internal Revenue Code of 1986, as amended and the Treasury Regulations applicable to the Debt.

As detailed in Exhibit 1 of this report, there is a Yield Reduction Payment Amount that relates to the Yield Restriction Requirements on the yield restricted proceeds of the Debt after the expiration of the temporary period for the Computation Period September 24, 2023 to September 24, 2025 ("Computation Period") due to the United States Treasury, Internal Revenue Service ("IRS") on or before Monday, November 24, 2025 with respect to the Debt for the above-referenced 05th Year Computation Period.

To Be Received by the IRS: Monday, November 24, 2025

**100% Yield Reduction Payment is due to the IRS as per Form 8038-T, \$2,054,802.58
Part II, Line 14**

It has been an honor for all of us at ACS to assist you with your yield restriction calculation report. Should you have any questions regarding this Report and related matters please do not hesitate to call: **Account Manager and Lead CPA: Doug Pahnke at (800) 672-9993 ext. 7526.**

Regards,
Arbitrage Compliance Specialists, Inc.

Douglas Pahnke, CPA, President

PAYMENT INSTRUCTIONS

The following should be sent to the IRS with confirmation the items were received:

We recommend sending the package via FedEx with a confirmation receipt.

1. **Form 8038-T Signed by Issuer.**

After execution at the bottom of the form, by the appropriate officer or authorized representative of the Issuer, which includes:

1. Signature,
2. Date of signature,
3. Typed Name and Typed Title,
4. Information required on Lines 9 and 10 as an "IRS contact name representative" and telephone number.

The Form 8038-T to be filed with respect to the Debt, prepared by Arbitrage Compliance Specialists, Inc. to reflect the information and computations described in the Report, is included herewith

2. ***A check/money order for the Total Payment, as per Part V, Line 23 of Form 8038-T, Make check payable to the United States Treasury.***

The check or money order must include:

1. Date
2. Issuer's name
3. Issuer's Address
4. Issuer's EIN
5. and the words "Form 8038-T"

3. **Mail the check and executed Form 8038-T to the Internal Revenue Service:**

Ogden Submission Processing Center
1973 North Rulon White Boulevard, Ogden, Utah 84201-0027

Submissions can be sent via U.S. Postal Service, Federal Express (FedEx priority overnight, FedEx Standard Overnight, FedEx 2Day), United Parcel Service (UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air) or DHL Express (DHL Same Day Service).

4. **Email payment confirmation to ACS (arbitrage@rebatebyacs.com)**

1. Copy of the check
2. Executed Form 8038-T
3. Confirmation receipt by IRS

****We recommend sending the package via FedEx with a confirmation receipt.***

DEFINITIONS

Arbitrage

Treas. Reg. § 1.148-3(a) provides that the arbitrage that must be rebated is based on the difference between the amount actually earned on non-purpose investments and the amount that would have been earned if those investments had a yield equal to the yield on the issue.

Arbitrage Rebate

Treas. Reg. § 1.148-3(b) provides that as of any computation date, the rebate amount for an issue is the excess of the future value, as of that date, for all receipts of non-purpose investments over the future value, as of that date, of all payments on non-purpose investments.

Bona Fide Debt Service Fund

Under Treas. Reg. § 1.148-1(b), a Bona Fide Debt Service Fund:

- Is used primarily to achieve a proper matching of revenues with debt service payments; AND
- Is depleted annually to a reasonable carryover amount.

Bond Year

Each one-year period (or shorter period for the first elected year ending on the issuer elected date).

Bond Yield -

Fixed Rate Issue

Treas. Reg. § 1.148-4(b)(1) provides that the yield on a fixed rate issue is the discount rate that when used in computing the present value, as of the issue date, of all unconditionally payable payments of principal, interest and fees for qualified guarantee on the issue, produces an amount equal to the present value, using the same discount rate, of the aggregate issue price of the bonds as of the issue date.

Variable Rate Issue

The yield on a variable yield issue is computed separately for each computation period. Treas. Reg. § 1.148-4(c)(1) provides that the yield for each computation period is the discount rate at which the present value, as of first day of the computation period, of all payments of principal and interest and qualified guarantees paid on the bond issue during that computation period equals the present value of the issue price, as of the first day of the computation period.

Commingled Funds

Treas. Reg. § 1.148-1(b) provides that a commingled fund means any fund or account (other than an open-end regulated investment company) that contains both gross proceeds of an issue and amounts in excess of \$25,000 that are not gross proceeds of the issue.

Computation Date

Treas. Reg. § 1.148-3(e)(1) provides that an issuer may treat as computation dates:

- the last day of any Bond Year ending on or before the 1st required Rebate Payment date; AND
- thereafter, the end of each Bond Year or the end of each 5th Bond Year.

Once selected, the issuer may not change the computation date after the 1st required Rebate Payment date.

Computation Date Credit

Computation Date Credits are applied on the last day of each bond year during which there are amounts allocated to gross proceeds of an issue that are subject to the rebate requirement, and on the final maturity date.

Computation Period

The computation period may be selected by the issuer and is the period between the Computation Dates.

Gross Proceeds

All sales proceeds (any amounts actually or constructively received by the issuer from the sale of the debt,

including amounts used to pay underwriter's discount or fees, but excluding pre-issuance accrued interest); investment proceeds (any amounts received from investing sales proceeds or other investment proceeds); Transferred Proceeds as further defined; replacement proceeds (any amounts held in a sinking fund, pledged fund, reserve fund, or otherwise set aside to pay debt service; and disposition proceeds (any funds that must be included due to a change in use).

Investment Yield

Treas. Reg. § 1.148-5(b)(1) provides that the yield on an investment allocated to an issue is the discount rate that, when used in computing the present value as of the date the investment is 1st allocated to the issue of all unconditionally payable receipts from the investment, produces an amount equal to the present value of all unconditionally payable payments for the investment.

Materially Higher Yield

Treas. Reg. § 1.148-2(d)(1) provides that the yield on investments is materially higher than the yield on the issue to which the investments are allocated if the yield on the investments over the term of the issue exceeds the yield on the issue by an amount in excess of the applicable definition of materially higher set forth in Treas. Reg. § 1.148-2(d)(2). If yield restricted investments in the same class are subject to different definitions of materially higher, the applicable definition of materially higher that produces the lowest permitted yield applies to all the investments in the class.

Proceeds

All sales proceeds (any amounts actually or constructively received by the issuer from the sale of the debt, including amounts used to pay underwriter's discount or fees, but excluding pre-issuance accrued interest); investment proceeds (any amounts received from investing sales proceeds or other investment proceeds) and Transferred Proceeds as further defined.

Rebate Installment Payments

IRC § 148(f)(3) requires that rebate be paid at least once every 5 years during the life of the debt. Each rebate payment must be paid no later than 60 days after the Computation Date to which the payment relates. The last rebate payment is due no later than 60 days after the last debt is redeemed. Any rebate payment paid within the 60-day period may be treated as paid on the computation date to which it relates. Except for the Final Rebate Payment, the amount of each required Rebate Installment Payment is at least 90 percent of the calculated rebate amount as of that Computation Date, taking into account the future value of previous rebate payments.

Small Issuer Exception

Under IRC § 148(f)(4)(D), governmental bonds issued by a governmental unit that does not expect to issue more than \$5 million of governmental bonds in that calendar year are exempted from the rebate requirements, but not yield restriction rules.

The Taxpayer Relief Act of 1997 supplements the \$5 million Small Issuer Exception, which can be used for any purpose, with up to an additional \$5 million to specifically finance new construction of public school facilities. This increased limit applies to debt issued from January 1, 1998 through December 31, 2001.

The Economic Growth and Tax Relief Reconciliation Act of 2001 supplements the \$5 million Small Issuer Exception, which can be used for any purpose, with up to an additional \$10 million to specifically finance new construction of public school facilities. This increased limit applies to debt issued on and after January 1, 2002.

Spending Exception

Spending exceptions may apply to exempt from the rebate requirements, arbitrage earned on certain proceeds of an issue, if the issuer spends the proceeds in accordance with prescribed 6-month, 18-month, or 2-year schedules.

Rebate Payments

IRC § 148(f)(3) requires that rebate be paid at least once every 5 years during the life of the bonds. Each rebate payment must be paid no later than 60 days after the computation date to which the payment relates. The last rebate payment is due no later than 60 days after the last bond is redeemed. Any rebate payment paid within the 60-day period may be treated as paid on the computation date to which it relates. Except for the Final Rebate Payment, the amount of each required Rebate Installment Payment is at least 90 percent of the rebate amount as of that computation date, taking into account the future value of previous rebate payments.

Temporary Periods

The initial period during which the use of bond proceeds to acquire higher yielding investments will not cause the bonds to be arbitrage bonds.

Transferred Proceeds

Treas. Reg. § 1.148-9 provides that when proceeds of a new refunding issue discharge the outstanding principal of a prior issue, the proceeds of the prior issue transfer to the refunding issue and become transferred proceeds of the refunding issue.

Yield Restriction

After the applicable temporary period is over, bond proceeds must be yield restricted. Yield restriction can be achieved in two ways:

- Investment of proceeds in securities that do not exceed the permitted yield; OR
- Investment of proceeds above the permitted yield followed by making Yield Reduction Payments. (Note that under Treas. Reg. § 1.148-5(c)(3), Yield Reduction Payments may be made only for certain types of proceeds.)

Yield Reduction Payments

Treas. Reg. § 1.148-5(c)(2)(i) provides that yield reduction payments must be paid to the United States at the same time and in the same manner as rebate payments. The provisions that apply to Rebate Payments, such as due dates, making 90 percent installment payments, correction of late payments, and recovery of overpayments, all apply to yield reduction payments as well.

NOTES AND ASSUMPTIONS

1. The PAR amount of the Debt is \$60,100,000.00.
2. The Delivery Date of the Debt is September 24, 2020.
3. The Computation Date is September 24, 2025.
4. The Computation Period is September 24, 2023 to September 24, 2025.
5. The Restricted Yield on the Debt is 2.13429000%.
6. The Investment Yield is 5.09952732%
7. The Yield Reduction Liability, as of the end of the calculation period, is \$2,054,802.58.
8. We have reviewed available Debt documents to determine the sources and uses of the Debt for purposes of identifying Gross Proceeds.
9. The Debt constitutes a single issue for federal taxation purposes and is not treated as part of any other issue of governmental obligations.
10. Computations of yield are based on a 360-day year with semi-annual compounding.
11. Purchase prices on investments are assumed to be at fair market value and represent an arm's length transaction.
12. Our engagement focused solely on analyzing the arbitrage rebate and yield restriction requirements, requirements related to the gross proceeds of the Bonds. The information provided by the Issuer, the Bank, or the Trustee has been used without independent verification to calculate the Rebate Liability and Yield Restriction Liability. ACS does not verify or express an opinion on the completeness or accuracy of this information in relation to 26 U.S. Code § 148.
13. We are not obligated to update this Report due to any events, changes in laws, regulations, rulings, new information, or data changes after the date of this Report.