**OFFICIAL STATEMENT DATED OCTOBER 23, 2023**

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

THE BONDS ARE NOT "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

**NEW ISSUE-Book-Entry Only**

Insured Rating (BAM): S&P "AA" (stable)
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

# $4,400,000
# MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 108
*(A political subdivision of the State of Texas located within Montgomery County)*
# UNLIMITED TAX ROAD BONDS
# SERIES 2023

The bonds described above (the "Bonds") are obligations solely of Montgomery County Municipal Utility District No. 108 (the "District") and are not obligations of the State of Texas, Montgomery County, the City of Magnolia, or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS."

**Dated Date: November 1, 2023** **Due: September 1, as shown below**
**Interest Accrual Date: Date of Delivery**

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from the date of delivery (expected on or about November 28, 2023) (the "Date of Delivery"), and is payable each March 1 and September 1, commencing March 1, 2024, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See "MUNICIPAL BOND INSURANCE" herein.

## MATURITY SCHEDULE

| Principal Amount | Maturity (September 1) | CUSIP Number(b) | Interest Rate | Initial Reoffering Yield(c) | Principal Amount | Maturity (September 1) | CUSIP Number(b) | Interest Rate | Initial Reoffering Yield(c) |
|---|---|---|---|---|---|---|---|---|---|
| $ 180,000 | 2025 | 61371M DD3 | 6.500 % | 4.40 % | $ 175,000 | 2038 (a) | 61371M DS0 | 5.000 % | 5.17 % |
| 180,000 | 2026 | 61371M DE1 | 7.000 | 4.40 | 175,000 | 2039 (a) | 61371M DT8 | 5.000 | 5.18 |
| 180,000 | 2027 | 61371M DF8 | 7.000 | 4.40 | 175,000 | 2040 (a) | 61371M DU5 | 5.000 | 5.19 |
| 180,000 | 2028 | 61371M DG6 | 7.000 | 4.40 | 175,000 | 2041 (a) | 61371M DV3 | 5.000 | 5.20 |
| 180,000 | 2029 | 61371M DH4 | 7.000 | 4.50 | 175,000 | 2042 (a) | 61371M DW1 | 5.000 | 5.22 |
| 175,000 | 2030 (a) | 61371M DJ0 | 5.750 | 4.60 | 175,000 | 2043 (a) | 61371M DX9 | 5.000 | 5.25 |
| 175,000 | 2031 (a) | 61371M DK7 | 4.500 | 4.75 | 175,000 | 2044 (a) | 61371M DY7 | 5.000 | 5.28 |
| 175,000 | 2032 (a) | 61371M DL5 | 5.000 | 5.00 | 175,000 | 2045 (a) | 61371M DZ4 | 5.125 | 5.29 |
| 175,000 | 2033 (a) | 61371M DM3 | 5.000 | 5.00 | 175,000 | 2046 (a) | 61371M EA8 | 5.125 | 5.30 |
| 175,000 | 2034 (a) | 61371M DN1 | 5.000 | 5.00 | 175,000 | 2047 (a) | 61371M EB6 | 5.125 | 5.31 |
| 175,000 | 2035 (a) | 61371M DP6 | 5.000 | 5.05 | 175,000 | 2048 (a) | 61371M EC4 | 5.125 | 5.32 |
| 175,000 | 2036 (a) | 61371M DQ4 | 5.000 | 5.15 | 175,000 | 2049 (a) | 61371M ED2 | 5.125 | 5.33 |
| 175,000 | 2037 (a) | 61371M DR2 | 5.000 | 5.16 | | | | | |

(a) Bonds maturing on or after September 1, 2030, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2029, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about November 28, 2023.

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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 an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

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

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 (as herein defined) and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT—Updating the OFFICIAL STATEMENT."

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

## SALE AND DISTRIBUTION OF THE BONDS

**Award of the Bonds**

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 97.0051% of the par value thereof which resulted in a net effective interest rate of 5.374729%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

**Prices and Marketability**

The prices and other terms with respect to 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 which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

**Securities Laws**

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission 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 registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

# OFFICIAL STATEMENT SUMMARY

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

## THE DISTRICT

*Description...* The District is a political subdivision of the State of Texas, created by the Texas Commission on Environmental Quality ("TCEQ") on November 8, 2016, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District contains approximately 718 acres of land. See "THE DISTRICT—General."

*Location...* The District is located in southeastern Montgomery County, Texas, within the corporate limits of the City of Magnolia. The District is north of Farm-to-Market 1744, east of Farm-to-Market 1486, and west of Thousand Oaks Boulevard, with tracts on the north and south side of Farm-to-Market 1488. The District is approximately 50 miles north of the downtown business district of the City of Houston. The District is located within the Magnolia Independent School District. See "THE DISTRICT" and "AERIAL LOCATION MAP."

*The Developers and Principal Landowners...* The developer of Magnolia Ridge Forest, Sections One through Ten is M/I Homes of Houston, LLC, a Delaware limited liability company ("M/I Homes"). M/I Homes is wholly-owned by M/I Homes, Inc., an Ohio corporation, whose common stock is listed on the New York Stock Exchange under the ticker symbol MHO. M/I Homes has completed the construction of 358 single-family residential lots in Magnolia Ridge Forest, Sections One through Ten on approximately 78 acres and does not exclusively own any additional developable land in the District.

M/I Homes, in a joint ownership development agreement with Lennar Homes of Texas Land and Construction, Ltd. ("Lennar Homes") is the developer of Magnolia Ridge Forest, Sections Eleven through Seventeen. The M/I Homes and Lennar Homes joint ownership development agreement is referred to herein as the "JODA." The JODA has completed the construction of 516 single-family residential lots on approximately 105 acres (Magnolia Ridge Forest, Sections Eleven through Seventeen). M/I Homes and Lennar Homes jointly own approximately 71 acres of developable but undeveloped land in the District. M/I Homes and Lennar Homes are building homes in Magnolia Ridge Forest.

The developer of Mustang Ridge is KB Home Lone Star Inc., a Texas corporation ("KB Home"). KB Home is an indirect wholly-owned subsidiary of KB Home, a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol KBH. KB Home has completed the construction of 147 single-family residential lots on approximately 32 acres in Mustang Ridge, Sections One and Two. KB Home continues to own approximately 18 acres of developable but undeveloped land in the District. KB Home is the sole homebuilder in Mustang Ridge.

The developer of Timber Hollow is Forestar (USA) Real Estate Group, a Delaware corporation ("Forestar"). Forestar is a wholly-owned subsidiary of Forestar Group, Inc., a Delaware corporation with its principal place of business in Arlington, Texas, that specializes in real estate development (the "Forestar Group"). DR Horton, Inc., a Delaware corporation ( "DR Horton"), is a national homebuilder that owns a majority interest of the equity of the Forestar Group. Forestar Group and DR Horton are publicly traded companies listed on the New York Stock Exchange under the ticker symbols "FOR" and "DHI," respectively. Forestar has completed the construction of 105 single-family residential lots on approximately 54 acres in Timber Hollow, Phases One and Two and does not own any additional developable land in the District. Beazer Homes is the sole homebuilder in Timber Hollow.

The developer of Magnolia Ridge is Houston LD, LLC ("Houston LD"), a privately held homebuilding company. Houston LD is an affiliate of Rausch Coleman Homes Houston, LLC ("Rausch Coleman"), a privately held homebuilding company based in Fayetteville, Arkansas. Houston LD has completed the construction of 225 single-family residential lots on approximately 40 acres in Magnolia Ridge, Sections Fourteen and Fifteen. Houston LD does not own any additional developable land in the District. Rausch Coleman is the sole homebuilder in Magnolia Ridge, Sections Fourteen and Fifteen.

The developer of Myrtle Gardens is Pulte Homes of Texas L. P., a Texas limited partnership (defined herein as "Pulte Homes"). Pulte Homes is wholly-owned by Pulte Homes Inc., a Michigan corporation whose common stock is listed on the New York Stock Exchange under the ticker symbol PHM. Pulte Homes has completed the construction of 122 single-family residential lots on approximately 23 acres in Myrtle Gardens and does not own any additional developable land in the District. Centex Homes is the sole homebuilder in Myrtle Gardens.

Parkside Magnolia East, LLC, a Texas limited liability company ("Parkside Magnolia East"), whose manager is Parkside Capital, LLC, a Texas limited liability company owns approximately 15 acres of land in the District that are served with trunk utilities but do not yet have any vertical improvements.

GC Magnolia, L.P ("GC Magnolia"), whose General Partner is Gulf Coast GP, Inc., a Texas corporation, is the owner and developer of approximately 32 acres where three 10,000 square foot multi-tenant retail buildings are currently under construction on approximately 4 acres with completion expected in the fourth quarter of 2023 and approximately 28 of the 32 acres are served with trunk utilities but do not yet have any vertical improvements.

The developer of approximately 61 acres of land in the District is BBQ Equity Partners, LLC, a Texas limited liability company ("BBQ Equity Partners"). Regional detention facilities have been constructed on approximately 48 of such acres. BBQ Equity Partners intends to convey the regional detention facilities to the District. BBQ Equity Partners sold approximately one acre served with trunk utilities for commercial development and continues to own approximately 12 acres where trunk utilities are under construction for commercial development.

The developer and owner of approximately 15 acres of land on which private utilities have been constructed for the Magnolia Cottages, which include 73 lots (146 duplex residences), is LCP Magnolia Cottage 146 Prop LLC ("LCP Magnolia Cottage"). The Magnolia Cottages are currently under construction and are expected to be rental units owned and leased by a single owner upon completion.

M/I Homes, Lennar Homes, KB Home, Forestar, Houston LD, Pulte Homes, GC Magnolia, Parkside Magnolia East, BBQ Equity Partners and LCP Magnolia Cottage are collectively referred to herein as the "Developers." See "THE DEVELOPERS." See "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Dependence on Major Taxpayers and the Developers."

*Status of Development...*

Single-family residential development in the District consists of Magnolia Ridge Forest, Sections One through Seventeen (874 single-family residential lots on approximately 183 acres), Mustang Ridge, Sections One and Two (147 single-family residential lots on approximately 32 acres), Timber Hollow, Phases One and Two (105 single-family residential lots on approximately 54 acres), Magnolia Ridge, Sections Fourteen and Fifteen (225 single-family residential lots on approximately 40 acres) and Myrtle Gardens (122 single-family residential lots on approximately 23 acres). As of September 1, 2023, 754 homes were completed (747 occupied), 121 homes were under construction or in a builder's name and 598 vacant developed lots were available for home construction.

Approximately 15 acres have been developed as Magnolia Cottages, which consists of 73 lots planned for 146 duplex residences. The Magnolia Cottages are currently under construction and are expected to be rental units owned and leased by a single owner upon completion.

Commercial construction in the District consists of three 10,000 square foot multi-tenant retail buildings currently under construction on approximately 4 acres with completion expected in the fourth quarter of 2023. In addition, there are approximately 44 acres in the District served with trunk utilities where no vertical improvements have been constructed and approximately 12 acres where trunk utilities are under construction for commercial development.

There are an additional approximately 94 acres of undeveloped but developable land and approximately 217 acres of undevelopable land (public rights-of-way, detention, open spaces, easements, and utility sites) in the District. See "THE DISTRICT—Land Use," "—Status of Development" and "RISK FACTORS—Capacity of the Water Supply."

*Homebuilding…* Active homebuilding within the District is currently being conducted by M/I Homes, Lennar Homes, Rausch Coleman, KB Home, Beazer Homes and Centex Homes. According to M/I Homes and Lennar Homes, homes which they are constructing in Magnolia Ridge Forest have an average current sales price of $287,070 and $284,545, respectively. According to Rausch Coleman, homes in Magnolia Ridge have an average current sales price of $253,000. According to KB Home, homes in Mustang Ridge have an average current sales price of $265,537. According to Beazer Homes, homes in Timber Hollow have an average current sales price of $552,551. According to Centex Homes, homes in Myrtle Gardens have an average current sales price of $327,000. See "THE DISTRICT—Homebuilding."

*Payment Record...* The District has previously issued $9,090,000 principal amount of unlimited tax bonds for water, wastewater, and drainage facilities in two series and expects to issue its $11,500,000 Unlimited Tax Bonds, Series 2023 on October 24, 2023 (the "Series 2023 Bonds"). After the issuance of the Series 2023 Bonds, $20,525,000 principal amount of unlimited tax bonds will be outstanding (the "Outstanding Bonds"). The District has never defaulted in the payment of principal of or interest on the Outstanding Bonds. The Bonds are the District's first issuance of unlimited tax bonds for road facilities. The District will capitalize twelve (12) months of interest from proceeds of the Series 2023 Bonds in October 2023 and will capitalize $462,000 of interest from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

## THE BONDS

*Description...* The $4,400,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds") are being issued pursuant to a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the District's Board of Directors (the "Board"). The Bonds are scheduled to mature serially on September 1 in each of the years 2025 through 2049, both inclusive, in the principal amounts and accruing interest at the rates shown on the cover page hereof. Interest on the Bonds accrues from the Date of Delivery and is payable March 1, 2024, and each September 1 and March 1 thereafter, until the earlier of maturity or redemption. The Bonds will be issued in denominations of $5,000 or integral multiples of $5,000. See "THE BONDS."

*Book-Entry-Only System…* The Depository Trust Company (defined as "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 and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM."

*Redemption...* Bonds maturing on or after September 1, 2030, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2029, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

*Use of Proceeds...* Proceeds of the Bonds will be used to pay for the items shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS," including to pay interest on funds advanced by certain of the Developers on behalf of the District; to capitalize $462,000 of interest on the Bonds; and to pay administrative costs and certain other costs of issuance and engineering fees related to the issuance of the Bonds.

*Authority for Issuance...* The Bonds are the first series of bonds issued out of an aggregate of $96,427,500 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing roads and related facilities and for refunding such bonds. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "THE BONDS—Authority for Issuance," "—Issuance of Additional Debt" and "RISK FACTORS—Future Debt."

| | |
|---|---|
| *Source of Payment...* | Principal of and interest on the Bonds and the Outstanding Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Magnolia, Montgomery County, the State of Texas or any entity other than the District. See "THE BONDS—Source of Payment." |
| *Municipal Bond Rating and Municipal Bond Insurance…* | S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE." |
| *Not Qualified Tax-Exempt Obligations...* | The Bonds are not "qualified tax-exempt obligations" for financial institutions. |
| *Bond Counsel...* | Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS" and "TAX MATTERS." |
| *Financial Advisor...* | Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT." |
| *Disclosure Counsel...* | McCall, Parkhurst & Horton L.L.P., Houston, Texas. |
| *Paying Agent/Registrar...* | The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest." |

## RISK FACTORS

The purchase and ownership of the Bonds are subject to special risk factors and all prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned "RISK FACTORS."

## SELECTED FINANCIAL INFORMATION (UNAUDITED)

| | | |
|---|---|---|
| 2023 Taxable Assessed Valuation | $231,067,651 | (a) |
| Estimated Taxable Assessed Valuation as of June 15, 2023 | $269,695,080 | (b) |
| | | |
| Gross Direct Debt Outstanding | $24,925,000 | (c) |
| Estimated Overlapping Debt | 11,974,000 | (d) |
| Gross Direct Debt and Estimated Overlapping Debt | $36,899,000 | |
| | | |
| Ratios of Gross Direct Debt to: | | |
| 2023 Taxable Assessed Valuation | 10.79% | |
| Estimated Taxable Assessed Valuation as of June 15, 2023 | 9.24% | |
| | | |
| Ratios of Gross Direct Debt and Estimated Overlapping Debt to: | | |
| 2023 Taxable Assessed Valuation | 15.97% | |
| Estimated Taxable Assessed Valuation as of June 15, 2023 | 13.68% | |
| | | |
| Funds Available for Debt Service: | | |
| Water/Sewer/Drainage Debt Service Fund Balance as of September 25, 2023 | $ 318,245 | (e) |
| Capitalized Interest from proceeds of the Series 2023 Bonds (Water/Sewer/Drainage) | 595,013 | (e)(f) |
| Capitalized Interest from proceeds of the Bonds (Road) | 462,000 | (e)(g) |
| Total Funds Available for Debt Service | $1,375,258 | |
| | | |
| Capital Projects Funds Available as of September 25, 2023 | $176,316 | |
| Operating Funds Available as of September 25, 2023 | $892,809 | (h) |
| | | |
| 2023 Debt Service Tax Rate | $0.58 | |
| 2023 Maintenance Tax Rate | 0.43 | |
| 2023 Total Tax Rate | $1.01 | |
| | | |
| Average Annual Debt Service Requirement (2024-2049) | $1,602,647 | (i) |
| Maximum Annual Debt Service Requirement (2025) | $2,045,225 | (i) |
| | | |
| Tax Rates Required to Pay Average Annual Debt Service (2024-2049) at a 95% Collection Rate | | |
| Based upon 2023 Taxable Assessed Valuation | $0.74 | (j) |
| Based upon Estimated Taxable Assessed Valuation as of June 15, 2023 | $0.63 | (j) |
| | | |
| Tax Rates Required to Pay Maximum Annual Debt Service (2025) at a 95% Collection Rate | | |
| Based upon 2023 Taxable Assessed Valuation | $0.94 | (j) |
| Based upon Estimated Taxable Assessed Valuation as of June 15, 2023 | $0.80 | (j) |
| | | |
| Status of Development as of September 1, 2023 (k): | | |
| Homes Completed (747 Occupied) | 754 | |
| Homes Under Construction or in a Builder's Name | 121 | |
| Lots Available for Home Construction | 598 | |
| Estimated Population | 2,615 | (l) |

(a) The Montgomery Central Appraisal District (the "Appraisal District") has certified $205,768,421 of taxable value and an additional $25,299,230 of taxable value remains uncertified. The uncertified value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on June 15, 2023. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2023 and June 15, 2023, will be certified as of January 1, 2024. See "TAXING PROCEDURES."

(c) Includes the Bonds and the Outstanding Bonds, including the $11,500,000 Unlimited Tax Bonds, Series 2023 expected to be issued on October 24, 2023 (the "Series 2023 Bonds"). See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."

(e) Funds in the Road Debt Service Fund are available to pay debt service on the bonds issued for road facilities, including the Bonds, and are not available to pay debt service on bonds issued for water, sewer and drainage facilities. Funds in the Water/Sewer/Drainage Debt Service Fund are available to pay debt service on bonds issued for water, sewer and drainage facilities and are not available to pay debt service on the bonds issued for road facilities, including the Bonds. See "THE BONDS—Funds."

(f) The District will capitalize $595,013 of interest from proceeds of the Series 2023 Bonds expected to be issued on October 24, 2023.

(g) The District will capitalize $462,000 of interest from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(h) Includes approximately $448,804 deposited by the Developers for a District detention facilities project.

(i) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

(j) See "RISK FACTORS—Possible Impact on District Tax Rates" and "TAX DATA—Tax Adequacy for Debt Service."

(k) See "THE DISTRICT—Land Use" and "—Status of Development."

(l) Based upon 3.5 persons per occupied single-family residence.

## OFFICIAL STATEMENT

## MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 108

*(A political subdivision of the State of Texas located within Montgomery County)*

**$4,400,000**

## UNLIMITED TAX ROAD BONDS
## SERIES 2023

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 108 (the "District") of its $4,400,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas; a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board") and an election held within the District.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, M/I Homes of Houston, LLC ("M/I Homes"), Lennar Homes of Texas Land and Construction, Ltd. ("Lennar Homes"), KB Home Lone Star Inc. ("KB Home"), Forestar (USA) Real Estate Group ("Forestar"), Houston LD, LLC ("Houston LD"), Pulte Homes of Texas, L.P. ("Pulte Homes), GC Magnolia, L.P ("GC Magnolia"), Parkside Magnolia East, LLC ("Parkside Magnolia East"), BBQ Equity Partners, LLC ("BBQ Equity Partners"), LCP Magnolia Cottage 146 Prop LLC ("LCP Magnolia Cottage") and development activity in the District. M/I Homes, Lennar Homes, KB Home, Forestar, Houston LD, Pulte Homes, GC Magnolia, Parkside Magnolia East, BBQ Equity Partners and LCP Magnolia Cottage are collectively referred to herein as the "Developers." All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

## THE BONDS

### Description

The Bonds will be dated November 1, 2023, and interest will accrue from the Date of Delivery with interest payable each March 1 and September 1 (each an "Interest Payment Date"), beginning March 1, 2024, and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of $5,000 or any integral multiple of $5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

### Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

### Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remains outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Montgomery County, the City of Magnolia (the "City"), or any entity other than the District.

**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.

**Funds**

In the Bond Resolution, the Road Debt Service Fund is created, 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.

The Road Debt Service Fund is available for payment of principal and interest on bonds issued for road facilities, including the Bonds. It is not available to pay principal or interest on bonds issued for water, sewer and drainage facilities.

The District maintains a Water/Sewer/Drainage Debt Service Fund that is available for payment of debt service on bonds issued for water, sewer and drainage facilities. It is not available to pay principal or interest on bonds issued for road facilities, including the Bonds.

$462,000 of capitalized interest shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds of the Bonds shall be deposited into the Road Capital Projects Fund, to be used for the purpose of paying for certain construction costs, interest on funds advanced by certain of the Developers, and paying administrative costs and certain other costs of issuance and engineering fees related to the issuance of the Bonds. Any monies remaining in the Road Capital Projects Fund after completion of construction of all road facilities will be used as described in the Bond Resolution or ultimately transferred to the Road Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of Bond proceeds and the projects related thereto.

**Redemption Provisions**

*Optional Redemption:* The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2030, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000 on September 1, 2029, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than $5,000, a portion of such Bond may be redeemed, but only in integral multiples of $5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption.

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

**Authority for Issuance**

At a bond election held within the District on May 4, 2019, voters of the District have authorized the issuance of $96,427,500 principal amount of unlimited tax bonds for the purpose of constructing roads and related facilities and for refunding such bonds. The Bonds are issued pursuant to such authorization.

The Bonds are issued by the District pursuant to terms and conditions of the Bond Resolution, Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

**Registration and Transfer**

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

**Lost, Stolen or Destroyed Bonds**

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed Bonds will be required to pay the District’s costs to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

**Replacement of Paying Agent/Registrar**

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

**Issuance of Additional Debt**

The District's voters have authorized the issuance of $96,427,500 principal amount of unlimited tax bonds for the purpose of constructing roads and related facilities and for refunding such bonds, $216,742,500 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring water, wastewater and drainage facilities and for refunding such bonds and $27,001,000 principal amount of unlimited tax bonds for the purpose of constructing and or acquiring park and recreational facilities and for refunding such bonds. The District could authorize additional amounts. After the issuance of the Bonds, $92,027,500 principal amount of the unlimited tax bonds for road facilities and for refunding such bonds, $196,152,500 principal amount of the unlimited tax bonds for water, wastewater and drainage facilities and for refunding such bonds and all of the authorized amounts for parks and recreational facilities and refunding such bonds will remain authorized but unissued. See "RISK FACTORS—Future Debt."

If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purposes by the qualified voters in the District; (b) approval of the master plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes.

If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

**Abolishment by the City of Magnolia**

The District is located within the corporate limits of the City. Under existing Texas law, the District may be abolished and dissolved by the City without the District's consent. If the District is abolished, the City will assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days thereafter. Prior to abolishment and dissolution by the City, the District shall have the opportunity to discharge any obligations of the District by selling its bonds or by causing the City to sell bonds of the City in an amount necessary to discharge such obligations. Abolishment of the District by the City is a policymaking matter within the discretion of the Mayor and the City Council of the City, and, therefore, the District makes no representation that abolishment will or will not occur. Moreover, no representation is made concerning the ability of the City to make debt service payments should abolishment 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.

**Remedies in Event of Default**

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the

District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "RISK FACTORS—Registered Owners' Remedies and Bankruptcy Limitations."

**Legal Investment and Eligibility to Secure Public Funds in Texas**

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

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

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

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

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

**Defeasance**

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

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

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

## BOOK-ENTRY-ONLY SYSTEM

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

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, 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 Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

Principal, premium, if any, interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, 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. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

## USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by LJA Engineering, Inc., the District's engineer (the "Engineer") and are based upon either contract amounts, or estimates of various costs by the Engineer and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and reviewed by the District's auditor prior to disbursement. Surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used.

| | | |
|---|---|---|
| **I. CONSTRUCTION COSTS** | | |
| • Magnolia Ridge Forest Section One Paving | $ | 410,748 |
| • Magnolia Ridge Forest Sections Two and Three Paving | | 644,550 |
| • Magnolia Ridge Forest Section Four Paving | | 235,100 |
| • Magnolia Ridge Forest Sections Five and Six Paving | | 221,585 |
| • Magnolia Ridge Forest Sections Seven, Eleven and Twelve Paving | | 295,804 |
| • Mustang Ridge Section One Paving | | 728,451 |
| • Timber Hollow Phase One Paving | | 186,219 |
| • Magnolia Ridge Section Fourteen Paving | | 276,934 |
| • Myrtle Gardens Paving | | 63,144 |
| • Engineering | | 234,829 |
| • Materials Testing | | 25,808 |
| • Stormwater Pollution Prevention Plan | | 25,808 |
| **Total Construction Costs** | **$** | **3,348,980** |
| **II. NON-CONSTRUCTION COSTS** | | |
| • Underwriter's Discount (a) | $ | 131,777 |
| • Capitalized Interest | | 462,000 |
| • Developer Interest | | 134,411 |
| **Total Non-Construction Costs** | **$** | **728,188** |
| **III. ISSUANCE COSTS AND FEES** | | |
| • Issuance Costs and Professional Fees | $ | 283,209 |
| • Bond Engineering Report | | 35,000 |
| • State Regulatory Fees | | 4,400 |
| • Contingency (a) | | 223 |
| **Total Issuance Costs and Fees** | **$** | **322,832** |
| **TOTAL BOND ISSUE** | **$** | **4,400,000** |

(a) Contingency represents the difference between the estimated and actual amounts of Underwriter's discount.

# THE DISTRICT

## General

The District is a political subdivision of the State of Texas, created by the TCEQ on November 8, 2016, and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 718 acres of land.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the construction of roads and related facilities. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purposes. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. To comply with its consent ordinance for creation from the City, within the corporate boundaries of which the District is located, the District is required to observe certain requirements of the City consent ordinance which: limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, park and recreational facilities and roads and related improvements; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to legally subdivided lots that are part of a recorded subdivision plat or otherwise exempt from the subdivision requirements of the City and Montgomery County. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM— Regulation."

## Description and Location

The District is located in southeastern Montgomery County, Texas, within the corporate limits of the City. The District is north of Farm-to-Market 1744, east of Farm-to-Market 1486, and west of Thousand Oaks Boulevard, with tracts on the north and south side of Farm-to-Market 1488. The District is approximately 50 miles north of the downtown business district of the City of Houston. The District is located within the Magnolia Independent School District. See "AERIAL LOCATION MAP."

**Land Use**

The District's land plan currently includes approximately 332 acres developed as 1,473 single-family residential lots, approximately 15 acres developed as 73 duplex lots, approximately 48 acres served with trunk utilities for commercial improvements, approximately 12 commercial acres where trunk utilities are under construction, approximately 94 acres of undeveloped but developable land and approximately 217 acres of undevelopable land (public rights-of-way, detention, open spaces, easements, and utility sites). The table below represents a detailed breakdown of the current acreage and development in the District.

| *Single-Family Residential* | Approximate Acres | Lots |
|---|---|---|
| Magnolia Ridge Forest | | |
| Section One | 9 | 43 |
| Section Two | 6 | 25 |
| Section Three | 7 | 21 |
| Section Four | 7 | 35 |
| Section Five | 7 | 25 |
| Section Six | 5 | 21 |
| Section Seven | 8 | 39 |
| Section Eight | 6 | 27 |
| Section Nine | 7 | 32 |
| Section Ten | 16 | 90 |
| Section Eleven | 23 | 112 |
| Section Twelve | 13 | 58 |
| Section Thirteen | 9 | 47 |
| Section Fourteen | 12 | 72 |
| Section Fifteen | 16 | 78 |
| Section Sixteen | 11 | 53 |
| Section Seventeen | 21 | 96 |
| Subtotal | 183 | 874 |
| Magnolia Ridge | | |
| Section Fourteen | 21 | 113 |
| Section Fifteen | 19 | 112 |
| Subtotal | 40 | 225 |
| Mustang Ridge | | |
| Section One | 22 | 97 |
| Section Two | 10 | 50 |
| Subtotal | 32 | 147 |
| Timber Hollow | | |
| Phases One and Two | 54 | 105 |
| Myrtle Gardens | 23 | 122 |
| Subtotal | 332 | 1,473 |
| Magnolia Cottages (a) | 15 | 73 |
| Commercial Development (b) | 60 | -- |
| Future Development | 94 | -- |
| Undevelopable (c) | 217 | -- |
| Totals | 718 | 1,546 |

(a) Lots developed for duplexes (146 residences planned on 73 lots). Construction of the duplexes is underway.
(b) Includes approximately 4 acres on which three multi-tenant retail buildings are currently under construction, approximately 44 acres served with trunk utilities where no vertical improvements have been constructed and approximately 12 acres where trunk utilities are under construction. See "Status of Development-*Commercial*" below.
(c) Includes public rights-of-way, detention, open spaces, easements, and utility sites.

**Status of Development**

*Single-Family Residential*: Single-family residential development in the District consists of Magnolia Ridge Forest, Sections One through Seventeen (874 single-family residential lots on approximately 183 acres), Mustang Ridge, Sections One and Two (147 single-family residential lots on approximately 32 acres), Timber Hollow, Phases One and Two (105 single-family residential lots on approximately 54 acres), Magnolia Ridge, Sections Fourteen and Fifteen (225 single-family residential lots on approximately 40 acres) and Myrtle Gardens (122 single-family residential lots on approximately 23 acres). As of September 1, 2023, 754 homes were completed (747 occupied), 121 homes were under construction or in a builder's name and 598 vacant developed lots were available for home construction. The estimated population in the District based upon 3.5 persons per occupied single-family residence is 2,615.

*Duplexes:* Approximately 15 acres have been developed as the Magnolia Cottages, which consists of 73 lots planned for 146 duplex residences. The Magnolia Cottages are currently under construction and are expected to be rental units owned and leased by a single owner upon completion.

*Commercial*: Commercial construction in the District consists of three 10,000 square foot multi-tenant retail buildings currently under construction on approximately 4 acres with completion expected in the fourth quarter of 2023. In addition, there are approximately 44 acres in the District served with trunk utilities where no vertical improvements have been constructed and approximately 12 acres where trunk utilities are under construction.

There are an additional approximately 94 acres of undeveloped but developable land and approximately 217 acres of undevelopable land (public rights-of-way, detention, open spaces, easements, and utility sites) in the District.

**Homebuilding**

Active homebuilding within the District is currently being conducted by M/I Homes, Lennar Homes, Rausch Coleman, KB Home, Beazer Homes and Centex Homes. According to M/I Homes and Lennar Homes, homes which they are constructing in Magnolia Ridge Forest have an average current sales price of $287,070 and $284,545, respectively. According to Rausch Coleman, homes in Magnolia Ridge have an average current sales price of $253,000. According to KB Home, homes in Mustang Ridge have an average current sales price of $265,537. According to Beazer Homes, homes in Timber Hollow have an average current sales price of $552,551. According to Centex Homes, homes in Myrtle Gardens have an average current sales price of $327,000.

**Future Development**

The District is being developed as a single-family residential development with some commercial and duplex development. Approximately 94 developable acres of land currently within the District are not yet fully served with water distribution and supply, wastewater collection and treatment, storm drainage facilities or roads (excluding approximately 12 commercial acres under construction). See "RISK FACTORS—Future Debt." The Engineer has stated that under regulatory criteria and current development plans (and excluding any costs of converting to surface water), the remaining authorized but unissued bonds (after issuance of the Bonds) in the aggregate principal amount of $315,181,000 should be sufficient to finance the construction of facilities to complete the District's water, wastewater, drainage, roads and recreation system for full development of the District.

## THE DEVELOPERS

**General**

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective Bond purchasers should note that the prior real estate experience of the Developers should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See "RISK FACTORS."

None of the Developers, nor any affiliates of the Developers, are responsible for, liable for, or have made any commitment for payment of the Bonds or other obligations of the District. None of the Developers nor any affiliates of the Developers, have any legal commitment to the District or the holders of the Bonds to continue development of the land within the District, and the Developers may sell or otherwise dispose of property within the District, or any assets, at any time. See "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Dependence on Major Taxpayers and the Developers."

**M/I Homes of Houston, LLC**

The developer of Magnolia Ridge Forest, Sections One through Ten is M/I Homes of Houston, LLC, a Delaware limited liability company ("M/I Homes"). M/I Homes is wholly-owned by M/I Homes, Inc., an Ohio corporation, whose common stock is listed on the New York Stock Exchange under the ticker symbol "MHO." M/I Homes has completed the construction of 358 single-family residential lots in Magnolia Ridge Forest, Sections One through Ten on approximately 78 acres and does not exclusively own any additional developable land in the District. See "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Dependence on Major Taxpayers and the Developers."

M/I Homes, in a joint ownership development agreement with Lennar Homes of Texas Land and Construction, Ltd. ("Lennar Homes") is the developer of Magnolia Ridge Forest, Sections Eleven through Seventeen. The M/I Homes and Lennar Homes joint ownership development agreement is referred to herein as the "JODA." The JODA has completed the construction of 516 single-family residential lots on approximately 105 acres (Magnolia Ridge Forest, Sections Eleven through Seventeen). M/I Homes and Lennar Homes jointly own approximately 71 acres of developable land in the District that are currently undeveloped. M/I Homes and Lennar Homes are building homes in Magnolia Ridge Forest. See "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Dependence on Major Taxpayers and the Developers."

**Lennar Homes of Texas Land and Construction, Ltd.**

Lennar Homes of Texas Land and Construction, Ltd. ("Lennar Homes"), in the JODA, is the developer of Magnolia Ridge Forest, Sections Eleven through Seventeen. Lennar Homes is wholly owned by Lennar Corporation ("Lennar"), a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker symbol "LEN." The JODA has completed the construction of 516 single-family residential lots on approximately 105 acres (Magnolia Ridge Forest, Sections Eleven through Seventeen). Lennar Homes and M/I Homes jointly own approximately 71 acres of developable land in the District that are currently undeveloped. M/I Homes and Lennar Homes are building homes in Magnolia Ridge Forest. See "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Dependence on Major Taxpayers and the Developers."

**KB Home Lone Star Inc.**

The developer of Mustang Ridge is KB Home Lone Star Inc., a Texas corporation ("KB Home"). KB Home is an indirect wholly-owned subsidiary of KB Home, a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "KBH." KB Home has completed the construction of 147 single-family residential lots on approximately 32 acres in Mustang Ridge, Sections One and Two. KB Home owns approximately 18 acres of developable land in the District that are currently undeveloped. KB Home is building homes in Mustang Ridge. See "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Dependence on Major Taxpayers and the Developers."

**Forestar (USA) Real Estate Group**

The developer of Timber Hollow is Forestar (USA) Real Estate Group, a Delaware corporation ("Forestar"). Forestar is a wholly-owned subsidiary of Forestar Group, Inc., a Delaware corporation with its principal place of business in Arlington, Texas, that specializes in real estate development (the "Forestar Group"). DR Horton, Inc., a Delaware corporation ("DR Horton"), is a national homebuilder that owns a majority interest of the equity of the Forestar Group. Forestar Group and DR Horton are publicly traded companies listed on the New York Stock Exchange under the ticker symbols "FOR" and "DHI," respectively. Forestar has completed the construction of 105 single-family residential lots on approximately 54 acres in Timber Hollow, Phases One and Two and does not own any additional developable land in the District. Beazer Homes is building homes in Timber Hollow.

**Houston LD, LLC**

The developer of Magnolia Ridge is Houston LD, LLC ("Houston LD"), a privately held homebuilding company. Houston LD is an affiliate of Rausch Coleman Homes Houston, LLC ("Rausch Coleman"), a privately held homebuilding company based in Fayetteville, Arkansas. Houston LD has completed the construction of 225 single-family residential lots on approximately 40 acres in Magnolia Ridge, Sections Fourteen and Fifteen. Houston LD does not own any additional developable land in the District. Rausch Coleman is building homes in Magnolia Ridge, Sections Fourteen and Fifteen. See "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Dependence on Major Taxpayers and the Developers."

**Pulte Homes of Texas, L.P.**

The developer of Myrtle Gardens is Pulte Homes of Texas L. P., a Texas limited partnership (defined herein as "Pulte Homes"). Pulte Homes is wholly-owned by Pulte Homes Inc., a Michigan corporation whose common stock is listed on the New York Stock Exchange under the ticker symbol PHM. Pulte Homes has completed the construction of 122 single-family residential lots on approximately 23 acres in Myrtle Gardens and does not own any other developable land in the District. Centex Homes is building homes in Myrtle Gardens. See "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Dependence on Major Taxpayers and the Developers."

**Parkside Magnolia East, LLC**

Parkside Magnolia East, LLC, a Texas limited liability company ("Parkside Magnolia East"), whose manager is Parkside Capital, LLC, a Texas limited liability company, is the developer and owner of approximately 15 acres of land in the District that are served with trunk utilities but do not yet have any vertical improvements. See "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Dependence on Major Taxpayers and the Developers."

**GC Magnolia, L.P.**

GC Magnolia, L.P ("GC Magnolia"), whose General Partner is Gulf Coast GP, Inc., a Texas corporation, is the owner and developer of approximately 32 acres where 3-10,000 square foot multi-tenant retail buildings are currently under construction on approximately 4 acres with completion expected in the fourth quarter of 2023 and approximately 28 of the 32 acres are served with trunk utilities but do not yet have any vertical improvements. See "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Dependence on Major Taxpayers and the Developers."

**BBQ Equity Partners, LLC**

The developer of approximately 61 acres of land in the District is BBQ Equity Partners, LLC, a Texas limited liability company ("BBQ Equity Partners"). Regional detention facilities have been constructed on approximately 48 of such acres. BBQ Equity Partners intends to convey the regional detention facilities to the District. BBQ Equity Partners sold approximately one acre served with trunk utilities for commercial development and continues to own approximately 12 acres where trunk utilities are under construction for commercial development. See "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Dependence on Major Taxpayers and the Developers."

**LCP Magnolia Cottage 146 Prop LLC**

The developer and owner of approximately 15 acres of land on which private utilities have been constructed for the Magnolia Cottages, which include 73 lots (146 duplex residences), is LCP Magnolia Cottage 146 Prop LLC ("LCP Magnolia Cottage"). The Magnolia Cottages are currently under construction and are expected to be rental units owned and leased by a single owner upon completion. See "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Dependence on Major Taxpayers and the Developers."

**Obligations of the Developers**

There are no commitments from or obligations of the Developers or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots could restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable property.

## MANAGEMENT OF THE DISTRICT

**Board of Directors**

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. None of the Board members reside within the District; however, each of the Board members owns land within the District subject to a note and deed of trust in favor of a previous property owner. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms, are listed as follows:

| Name | District Board Title | Term Expires |
|---|---|---|
| Dustin O'Neal | President | May 2024 |
| Matt Sneller | Vice President | May 2026 |
| Ashley Truitt | Secretary | May 2024 |
| Ash Metry | Assistant Vice President | May 2026 |
| Chris Fonville | Assistant Secretary | May 2026 |

**District Consultants**

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

*Bond Counsel/Attorney*: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

*Financial Advisor*: Masterson Advisors LLC serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

*Auditor*: The District's financial statements for the fiscal year ended July 31, 2022, were audited by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's audited financial statements for the fiscal year ended July 31, 2022. The District has engaged McGrath & Co., PLLC, Certified Public Accountants to audit its financial statements for the fiscal year ended July 31, 2023.

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

*Tax Appraisal*: The Montgomery Central Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

*Tax Assessor/Collector*: The District has appointed an independent tax assessor/collector to perform the tax collection function. Assessments of the Southwest, Inc. (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

*Bookkeeper*: The District has contracted with Municipal Accounts & Consulting, L.P. (the "Bookkeeper") for bookkeeping services.

## THE ROAD SYSTEM

The road system, including the projects being funded with the proceeds of the Bonds, serves the residents of the District by providing access to major thoroughfares and collector roads within the District and the surrounding area. The internal subdivision streets and collector roads convey the residents of the District to Farm-to-Market 1488 and Farm-to-Market 1774. All roads are maintained or will be maintained by Montgomery County. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

## THE SYSTEM

### Regulation

Construction and operation of the District's water, wastewater and drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Construction of water, wastewater and drainage facilities is subject to the regulatory authority of the District, the City and Montgomery County. The TCEQ also exercises regulatory jurisdiction over portions of the water, sanitary and storm drainage system.

### Utility Agreement Between the City of Magnolia and the District

All land in the District is located within the corporate limits of the City. The City has entered into a Utility Services Agreement, as amended, (the "Utility Agreement") which was approved and assumed by the District on January 12, 2016. Pursuant to the Utility Agreement, the District agreed to construct, at its sole expense, water distribution, wastewater collection and storm drainage facilities to serve the District and to convey the water distribution lines, wastewater collection lines, lift stations and storm drainage lines to the City for ownership, operation and maintenance at the City's expense. The City bills and collects for services from the District's customers and all revenues are the property of the City. The City has agreed to provide the District with its ultimate requirements for water supply and distribution and wastewater treatment and collection upon payment of connection charges by the District to the City. Such connection charges may be amended by the City from time to time and at any time, subject to certain limitations imposed by state law. See "THE BONDS—Abolishment by the City of Magnolia."

### Water Supply

Water supply for the District is provided by the City pursuant to the Utility Agreement. The City's water system consists of three water wells, two ground storage tanks and two elevated storage tanks, six booster pumps, chlorination facilities and distribution lines. According to the Engineer, the City's water system will adequately serve 2,000 equivalent single-family connections, including 875 active connections currently in the District (including 754 completed homes and 121 homes under construction or in a builder's name). Pursuant to the Utility Agreement, the cost of water supply capacity will be paid for with connection charges assessed by the City pursuant to the Utility Agreement. The City will own and operate all water facilities as they are constructed. See "Utility Agreement Between the City of Magnolia and the District" above.

### Capacity of the Water Supply

Pursuant to Ordinance No. O-2022-031, on December 16, 2022, the City enacted a temporary moratorium on the acceptance, authorization, and approvals necessary for the subdivision, site planning, development and construction within its corporate limits and extraterritorial jurisdiction (the "Temporary Development Moratorium"), which halted new home construction and other additional development within the District and other areas within the City's corporate limits and extraterritorial jurisdiction, based, among other things, upon a finding that City water facilities were inadequate and insufficient to adequately serve new development within such areas. On April 11, 2023, the City extended the Temporary Development Moratorium for an additional 120 days. On August 8, 2023, the City extended the Temporary Development Moratorium for an additional 120 days. The City attorney has indicated that the Temporary Development Moratorium will continue to be extended until the City has adequate water supply facilities to meet the City's existing commitments.

The City has informed the District of its plans to expand its water supply facilities to meet increasing demand and its commitments for water supply to the District and other surrounding and adjacent communities. According to the City: (i) as of July 21, 2023, an additional water well (Water Well No. 7) has been completed and placed in service, (ii) another additional water well (Water Well No. 8) is expected to be completed and in service by the end of September 2023, and (iii) further improvements to Water Well No. 7 to provide additional water capacity from such well are estimated by the City to be completed and in service by the end of September 2023. On July 21, 2023, the City issued interim procedures for processing water meter applications for the current additional supply created by the completion of Water Well No. 7. Pursuant to the interim procedures, 32 ESFCs shall be made available to the Developers in each month from September through December; provided that the City has indicated that allocations will be adjusted once Water Well No. 8 and the future improvements to Water Well No. 7 are completed. Based on the existing ESFCs made available to the Developers, limited home construction has resumed within the District. The District cannot guarantee that the City will not reduce capacity currently allocated to Developers or that the City will not extend Temporary Development Moratorium.

## Wastewater Treatment

Wastewater treatment for the District is provided by the City pursuant to a Utility Agreement. The City's wastewater system consists of a 1,300,000 gallon per day wastewater treatment plant. According to the Engineer, the City's wastewater treatment facilities will adequately serve 4,333 equivalent single-family connections, including 875 active connections currently in the District (including 754 completed homes and 121 homes under construction or in a builder's name). Pursuant to the Utility Agreement, the cost of wastewater capacity will be paid for with connection charges assessed by the City. The City will own and operate all wastewater facilities as they are constructed. See "Utility Agreement Between the City of Magnolia and the District" above.

## Water Distribution, Wastewater Collection and Storm Drainage

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve approximately 1,473 single-family residential lots, 73 duplex lots and approximately 48 acres of commercial development within the District. In addition, utility construction is underway on approximately 12 acres for commercial development. See "THE DISTRICT—Land Use."

## 100-Year Flood Plain

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

The District ultimately outfalls storm water into Mill Creek. According to the Engineer, none of the completed lots within the District are located within the 100-year flood plain. A small portion of undevelopable land located within a detention pond is within the 100-year flood plain.

## FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

| | | |
|---|---|---|
| 2023 Taxable Assessed Valuation | $231,067,651 | (a) |
| Estimated Taxable Assessed Valuation as of June 15, 2023 | $269,695,080 | (b) |
| | | |
| Gross Direct Debt Outstanding | $24,925,000 | (c) |
| Estimated Overlapping Debt | 11,974,000 | (d) |
| Gross Direct Debt and Estimated Overlapping Debt | $36,899,000 | |
| | | |
| Ratios of Gross Direct Debt to: | | |
| 2023 Taxable Assessed Valuation | 10.79% | |
| Estimated Taxable Assessed Valuation as of June 15, 2023 | 9.24% | |
| | | |
| Ratios of Gross Direct Debt and Estimated Overlapping Debt to: | | |
| 2023 Taxable Assessed Valuation | 15.97% | |
| Estimated Taxable Assessed Valuation as of June 15, 2023 | 13.68% | |
| | | |
| Funds Available for Debt Service: | | |
| Water/Sewer/Drainage Debt Service Fund Balance as of September 25, 2023 | $ 318,245 | (e) |
| Capitalized Interest from proceeds of the Series 2023 Bonds (Water/Sewer/Drainage) | 595,013 | (e)(f) |
| Capitalized Interest from proceeds of the Bonds (Road) | 462,000 | (e)(g) |
| Total Funds Available for Debt Service | $1,375,258 | |
| | | |
| Capital Projects Funds Available as of September 25, 2023 | $176,316 | |
| Operating Funds Available as of September 25, 2023 | $892,809 | (h) |

(a) The Appraisal District has certified $205,768,421 of taxable value and an additional $25,299,230 of taxable value remains uncertified. The uncertified value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAXING PROCEDURES."
(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on June 15, 2023. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2023 and June 15, 2023, will be certified as of January 1, 2024. See "TAXING PROCEDURES."
(c) Includes the Bonds and the Outstanding Bonds, including the Series 2023 Bonds expected to be issued on October 24, 2023. See "Outstanding Bonds" below.
(d) See "Estimated Overlapping Debt" herein.
(e) Funds in the Road Debt Service Fund are available to pay debt service on the bonds issued for road facilities, including the Bonds, and are not available to pay debt service on bonds issued for water, sewer and drainage facilities. Funds in the Water/Sewer/Drainage Debt Service Fund are available to pay debt service on bonds issued for water, sewer and drainage facilities and are not available to pay debt service on the bonds issued for road facilities, including the Bonds. See "THE BONDS—Funds."
(f) The District will capitalize $595,013 of interest from proceeds of the Series 2023 Bonds expected to be issued on October 24, 2023.
(g) The District will capitalize $462,000 of interest from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
(h) Includes approximately $448,804 deposited by the Developers for a District detention facilities project.

### Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be 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.

### Outstanding Bonds

The District has previously issued three series of unlimited tax bonds for water, wastewater, and drainage facilities. The following table lists the original principal amount of such bonds by series and the principal amount of such bonds that will remain outstanding (the "Outstanding Bonds") following the issuance of the Series 2023 Bonds.

| Series | | Original Principal Amount | Outstanding Bonds |
|---|---|---|---|
| 2021 | | $ 2,440,000 | $ 2,375,000 |
| 2022 | | 6,650,000 | 6,650,000 |
| 2023 | (a) | 11,500,000 | 11,500,000 |
| Total | | $ 20,590,000 | $ 20,525,000 |

(a) Expected to be issued on October 24, 2023.

**Debt Service Requirements**

The following sets forth the debt service requirements on the Outstanding Bonds (see "Outstanding Bonds" in this section) and the Bonds. This schedule does not reflect that the District will capitalize twelve (12) months of interest from proceeds of the Series 2023 Bonds expected to be issued on October 24, 2023, and will capitalize $462,000 of interest from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

| Year | Outstanding Bonds Debt Service Requirements | Plus: Debt Service on the Bonds | | | Total Debt Service Requirements |
|---|---|---|---|---|---|
| | | Principal | Interest | Total | |
| 2024 | $ 1,564,094.69 | $ - | $ 180,962.03 | $ 180,962.03 | $ 1,745,056.72 |
| 2025 | 1,626,593.75 | 180,000 | 238,631.25 | 418,631.25 | 2,045,225.00 |
| 2026 | 1,595,506.25 | 180,000 | 226,931.25 | 406,931.25 | 2,002,437.50 |
| 2027 | 1,563,993.75 | 180,000 | 214,331.25 | 394,331.25 | 1,958,325.00 |
| 2028 | 1,536,831.25 | 180,000 | 201,731.25 | 381,731.25 | 1,918,562.50 |
| 2029 | 1,503,918.75 | 180,000 | 189,131.25 | 369,131.25 | 1,873,050.00 |
| 2030 | 1,479,056.25 | 175,000 | 176,531.25 | 351,531.25 | 1,830,587.50 |
| 2031 | 1,459,768.75 | 175,000 | 166,468.75 | 341,468.75 | 1,801,237.50 |
| 2032 | 1,444,831.25 | 175,000 | 158,593.75 | 333,593.75 | 1,778,425.00 |
| 2033 | 1,428,793.75 | 175,000 | 149,843.75 | 324,843.75 | 1,753,637.50 |
| 2034 | 1,411,381.25 | 175,000 | 141,093.75 | 316,093.75 | 1,727,475.00 |
| 2035 | 1,392,106.25 | 175,000 | 132,343.75 | 307,343.75 | 1,699,450.00 |
| 2036 | 1,377,087.50 | 175,000 | 123,593.75 | 298,593.75 | 1,675,681.25 |
| 2037 | 1,351,187.50 | 175,000 | 114,843.75 | 289,843.75 | 1,641,031.25 |
| 2038 | 1,334,637.50 | 175,000 | 106,093.75 | 281,093.75 | 1,615,731.25 |
| 2039 | 1,316,100.00 | 175,000 | 97,343.75 | 272,343.75 | 1,588,443.75 |
| 2040 | 1,296,400.00 | 175,000 | 88,593.75 | 263,593.75 | 1,559,993.75 |
| 2041 | 1,274,875.00 | 175,000 | 79,843.75 | 254,843.75 | 1,529,718.75 |
| 2042 | 1,257,412.50 | 175,000 | 71,093.75 | 246,093.75 | 1,503,506.25 |
| 2043 | 1,237,650.00 | 175,000 | 62,343.75 | 237,343.75 | 1,474,993.75 |
| 2044 | 1,221,687.50 | 175,000 | 53,593.75 | 228,593.75 | 1,450,281.25 |
| 2045 | 1,199,262.50 | 175,000 | 44,843.75 | 219,843.75 | 1,419,106.25 |
| 2046 | 1,180,637.50 | 175,000 | 35,875.00 | 210,875.00 | 1,391,512.50 |
| 2047 | 1,160,550.00 | 175,000 | 26,906.25 | 201,906.25 | 1,362,456.25 |
| 2048 | 484,000.00 | 175,000 | 17,937.50 | 192,937.50 | 676,937.50 |
| 2049 | 462,000.00 | 175,000 | 8,968.75 | 183,968.75 | 645,968.75 |
| Total | $ 34,160,363.44 | $ 4,400,000.00 | $ 3,108,468.28 | $ 7,508,468.28 | $ 41,668,831.72 |

Average Annual Debt Service Requirements (2024-2049) .................................................. $1,602,647
Maximum Annual Debt Service Requirement (2025)........................................................... $2,045,225

**Estimated Overlapping Debt**

The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

| Taxing Jurisdiction | Outstanding Bonds | As of | Overlapping Percent | Overlapping Amount |
|---|---|---|---|---|
| Montgomery County | $ 441,665,000 | 8/31/2023 | 0.12% | $ 529,998 |
| City of Magnolia | 37,203,450 | 8/31/2023 | 20.35% | 7,570,902 |
| Magnolia Independent School District | 311,140,000 | 8/31/2023 | 1.17% | 3,640,338 |
| Lone Star College System | 581,905,000 | 8/31/2023 | 0.04% | 232,762 |
| Total Estimated Overlapping Debt | | | | $ 11,974,000 |
| The District's Total Direct Debt (a) | | | | 24,925,000 |
| Total Direct and Estimated Overlapping Debt | | | | $ 36,899,000 |

Direct and Estimated Overlapping Debt as a Percentage of:
2023 Taxable Assessed Valuation of $231,067,651 .......... 15.97%
Estimated Taxable Assessed Valuation as of June 15, 2023 of $269,695,080 .......... 13.68%

(a) Includes the Bonds and the Outstanding Bonds, including the Series 2023 Bonds expected to be issued on October 24, 2023.

**Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see "Estimated Overlapping Debt" above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2023 tax year by all taxing jurisdictions overlapping the District and the District's 2023 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

| | Tax Rate per $100 of Taxable Assessed Valuation |
|---|---|
| Montgomery County | $ 0.3696 |
| Montgomery County Hospital District | 0.0498 |
| Magnolia Independent School District | 0.9638 |
| Lone Star College System | 0.1076 |
| City of Magnolia | 0.2948 |
| Total Overlapping Tax Rate | $ 1.7856 |
| The District (a) | 1.0100 |
| Total Tax Rate | $ 2.7956 |

(a) See "TAX DATA—Historical Tax Rate Distribution."

## General Operating Fund

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ended July 31, 2020 through 2022 and an unaudited summary provided by the Bookkeeper for the fiscal year ended July 31, 2023. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

| | Fiscal Year Ended July 31 | | | |
|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 |
| | (unaudited) | | | |
| Revenues: | | | | |
| Property Taxes | $ 727,880 | $ 261,518 | $ 29,169 | $ 7,436 |
| Penalty and Interest | - | 1,681 | 280 | 35 |
| Miscellaneous | - | 30 | 40 | - |
| Investment Earnings | 51,675 | 20,417 | 47 | 24 |
| Total Revenue | $ 779,555 | $ 283,646 | $ 29,536 | $ 7,495 |
| Expenditures: | | | | |
| Professional Fees | $ 164,945 | $ 164,233 | $ 105,711 | $ 83,253 |
| Administrative | - | 31,065 | 22,590 | 18,233 |
| Contracted Services | 50,586 | 32,494 | 18,140 | 16,211 |
| Other | 17,274 | 11,773 | 7,215 | 1,688 |
| Total Expenditures | $ 232,805 | $ 239,565 | $ 153,656 | $ 119,385 |
| NET REVENUES | $ 546,750 | $ 44,081 | $ (124,120) | $ (111,890) |
| Other Financing Sources (a) | $ - | $ 14,895 | $ 211,672 | $ 80,240 |
| General Operating Fund Balance (Beginning of Year) | $ 113,333 | $ 54,357 | $ (33,195) | $ (1,545) |
| General Operating Fund Balance (End of Year) | $ 660,083 | $ 113,333 | $ 54,357 | $ (33,195) |

(a) Developer advances.

# TAX DATA

## Debt Service Tax

The District covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. The District levied a 2023 debt service tax rate of $0.58 per $100 of taxable assessed valuation. See "Historical Tax Rate Distribution" and "Tax Roll Information" below, and "TAXING PROCEDURES."

## Maintenance and Operations Tax

The District has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted on May 4, 2019, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed $1.50 per $100 of taxable assessed valuation.

## Historical Tax Rate Distribution

| | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Debt Service Tax | $ - | $ - | $ 0.3800 | $ 0.5800 |
| Maintenance Tax | 1.0375 | 1.0375 | 0.6575 | 0.4300 |
| Total District Tax Rate | $ 1.0375 | $ 1.0375 | $ 1.0375 | $ 1.0100 |

## Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District 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 (April 1 for personal property), but not later than May 1 of that year, and that remain delinquent on 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.

## Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See "Tax Roll Information" below.

| | Taxable Assessed Valuation (a) | Tax Rate | Total Tax Levy | Total Collections As of 8/31/2023 (b) | |
|---|---|---|---|---|---|
| | | | | Amount | Percent |
| 2020 | $ 2,904,002 | $ 1.0375 | $ 30,129 | $ 30,129 | 100.00% |
| 2021 | 25,736,806 | 1.0375 | 267,019 | 266,913 | 99.96% |
| 2022 | 106,194,236 | 1.0375 | 1,101,765 | 1,097,799 | 99.64% |
| 2023 | 231,067,651 | 1.0100 | 2,333,783 | (c) | (c) |

(a) As certified by the Appraisal District less any exemptions granted. See "Tax Roll Information" below.
(b) Unaudited.
(c) In the process of collection. Taxes for 2023 are due by January 31, 2024.

**Tax Roll Information**

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2020 through 2023 Taxable Assessed Valuations. Breakdowns of the uncertified portion ($25,299,230) of the 2023 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of June 15, 2023, of $269,695,080 are not available. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

| | Type of Property | | | Gross | Deferments | | Taxable |
|---|---|---|---|---|---|---|---|
| Tax | | | Personal | Assessed | and | Uncertified | Assessed |
| Year | Land | Improvements | Property | Valuation | Exemptions | Value | Valuation |
| 2020 | $ 4,710,810 | $ 7,220 | $ 80,362 | $ 4,798,392 | $ (1,894,390) | $ - | $ 2,904,002 |
| 2021 | 12,036,290 | 15,278,870 | 3,884 | 27,319,044 | (1,582,238) | - | 25,736,806 |
| 2022 | 54,205,519 | 57,949,590 | 71,804 | 112,226,913 | (6,032,677) | - | 106,194,236 |
| 2023 | 86,061,980 | 122,289,310 | 134,237 | 208,485,527 | (2,717,106) | 25,299,230 | 231,067,651 |

**Principal Taxpayers**

The following table represents the principal taxpayers, the taxable assessed valuation of such property, and such property's taxable assessed valuation as a percentage of the certified portion ($205,768,421) of the 2023 Taxable Assessed Valuation of $231,067,651. Principal taxpayer lists related to the uncertified portion ($25,299,230) of the 2023 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of June 15, 2023, of $269,695,080 are not available.

| Taxpayer | 2023 Certified Taxable Assessed Valuation | % of 2023 Certified Taxable Assessed Valuation |
|---|---|---|
| GC Magnolia LP (a) | $ 12,355,270 | 6.00% |
| Rausch Coleman Homes Houston LLC (a)(b) | 11,903,210 | 5.78% |
| M/I Homes of Houston LLC (a)(b) | 6,017,690 | 2.92% |
| Pulte Homes of Texas LP (a) | 4,743,460 | 2.31% |
| Parkside Magnolia East LLC (a) | 4,410,000 | 2.14% |
| KB Home Lone Star Inc (a)(b) | 3,878,770 | 1.89% |
| Upward America Central Property Owner LP (c) | 3,783,410 | 1.84% |
| Beazer Homes Texas LP (b) | 3,430,400 | 1.67% |
| BBQ Equity Partners LLC (a) | 3,274,030 | 1.59% |
| LCP Magnolia Cottage 146 Prop LLC (a) | 3,267,870 | 1.59% |
| Total | $ 57,064,110 | 27.73% |

(a) See "RISK FACTORS—Dependence on Major Taxpayers and the Developers" and "THE DEVELOPERS."
(b) See "THE DISTRICT—Homebuilding."
(c) Represents a single entity that owns multiple rental homes in the District.

**Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per $100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the 2023 Taxable Assessed Valuation of $231,067,651 ($205,768,421 of certified value plus $25,299,230 of uncertified value), and the Estimated Taxable Assessed Valuation as of June 15, 2023, of $269,695,080. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "RISK FACTORS—Possible Impact on District Tax Rates" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

| | |
|---|---|
| Average Annual Debt Service Requirement (2024-2049) | $1,602,647 |
| $0.74 Tax Rate on the 2023 Taxable Assessed Valuation | $1,624,406 |
| $0.63 Tax Rate on the Estimated Taxable Assessed Valuation as of June 15, 2023 | $1,614,125 |
| Maximum Annual Debt Service Requirement (2025) | $2,045,225 |
| $0.94 Tax Rate on the 2023 Taxable Assessed Valuation | $2,063,434 |
| $0.80 Tax Rate on the Estimated Taxable Assessed Valuation as of June 15, 2023 | $2,049,683 |

No representation or suggestion is made that the uncertified portion of the 2023 Taxable Assessed Valuation will not be adjusted downward prior to certification or the Estimated Taxable Assessed Valuation as of June 15, 2023, provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. 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 of and interest on the Bonds and the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under "THE BONDS—Source of Payment." Under Texas law, the District may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See "TAX DATA—Debt Service Tax" and "—Maintenance and Operations Tax."

**Property Tax Code and County-Wide Appraisal District**

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized 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 within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Montgomery Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Montgomery County, including the District. Such appraisal values are subject to review and change by the Montgomery Central Appraisal Review Board (the "Appraisal Review Board").

**Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous 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, of between $3,000 and $12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forced who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead 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. See "TAX DATA."

*Residential Homestead Exemptions*: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. To date, the District has not adopted a homestead exemption. See "TAX DATA."

*Freeport Goods and Goods-in-Transit Exemptions*: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 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

Montgomery County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, Montgomery County, the City and the District, under certain circumstances, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised 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 agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, neither the County nor the City has designated land within the District as a reinvestment zone.

**Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to 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 (3) years for agricultural use, open space land, and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The 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 formally to 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.

**District and Taxpayer Remedies**

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the 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 which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

## Levy and Collection of Taxes

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

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer 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.

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

## 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 than1.08 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 the 2023 tax year. 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 such other taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—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 subject to the restrictions on residential homesteads described in the preceding section under "Levy and Collection of Taxes". In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS—General" and "—Tax Collection Limitations and Foreclosure Remedies."

# RISK FACTORS

## General

The Bonds are obligations solely of the District and are not obligations of the City of Magnolia (the "City"), Montgomery County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt, or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the Bonds ("Registered Owners") of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies and Bankruptcy Limitations" herein.

## Dependence on Major Taxpayers and the Developers

The ten principal taxpayers represent $57,064,110 or 27.73% of the certified portion ($205,768,421) of the 2023 Taxable Assessed Valuation of $231,067,651 within the District. See "TAX DATA—Principal Taxpayers." The ability of any principal taxpayer 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, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, 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 to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes could have a material adverse effect upon the District's ability to pay debt service on the Bonds.

The Developers and their affiliates have informed the District that their current plans are to continue developing their property in the District and/or marketing lots and building homes. However, none of the Developers nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of any information related to any proposed development should not be interpreted as a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic conditions or governmental circumstances may have on any plans of the Developers, their affiliates, or any other landowners.

## Undeveloped Acreage, Vacant Land and Vacant Lots

There are approximately 94 developable acres of land in the District that have not been fully provided with water, sanitary sewer, storm sewer, road and other facilities necessary for the construction of taxable improvements (excluding approximately 12 commercial acres where trunk utilities are under construction) and 598 developed lots that remain vacant. The District makes no representation as to when or if development of the undeveloped acreage will occur or the success of any homebuilding programs. Failure of the Developers and of homebuilders to develop the developable land or construct taxable improvements on developed lots could restrict the rate of growth of taxable values in the District. See "THE DISTRICT—Land Use" and "—Status of Development."

## Capacity of the Water Supply

Pursuant to Ordinance No. O-2022-031, on December 16, 2022, the City enacted a temporary moratorium on the acceptance, authorization, and approvals necessary for the subdivision, site planning, development and construction within its corporate limits and extraterritorial jurisdiction (the "Temporary Development Moratorium"), which halted new home construction and other additional development within the District and other areas within the City's corporate limits and extraterritorial jurisdiction, based, among other things, upon a finding that City water facilities were inadequate and insufficient to adequately serve new development within such areas. On April 11, 2023, the City extended the Temporary Development Moratorium for an additional 120 days. On August 8, 2023, the City extended the Temporary Development Moratorium for an additional 120 days. The City attorney has indicated that the Temporary Development Moratorium will continue to be extended until the City has adequate water supply facilities to meet the City's existing commitments.

The City has informed the District of its plans to expand its water supply facilities to meet increasing demand and its commitments for water supply to the District and other surrounding and adjacent communities. According to the City: (i) as of July 21, 2023, an additional water well (Water Well No. 7) has been completed and placed in service, (ii) another additional water well (Water Well No. 8) is expected to be completed and in service by the end of September 2023, and (iii) further improvements to Water Well No. 7 to provide additional water capacity from such well are estimated by the City to be completed and in service by the end of September 2023. On July 21, 2023, the City issued interim procedures for processing water meter applications for the current additional supply created by the completion of Water Well No. 7. Pursuant to the interim procedures, 32 ESFCs shall be made available to the Developers in each month from September through December; provided that the City has indicated that allocations will be adjusted once Water Well No. 8 and the future improvements to Water Well No. 7 are completed. Based on the existing ESFCs made available to the Developers, limited home construction has resumed within the District. The District cannot guarantee that the City will not reduce capacity currently allocated to Developers or that the City will not extend Temporary Development Moratorium.

**Developers Obligation to the District**

There are no commitments from or obligations of the Developers or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots could restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable property. See "THE DEVELOPERS."

**Economic Factors and Interest Rates**

The majority of the taxable value of the District results from the current market value of single-family residences and of developed lots which are currently being marketed by the Developers for sale to homebuilders and homebuyers for the construction of primary residences, along with some commercial development. The market value of such homes and lots is related to general economic conditions in the Houston region and the national economy and those conditions can affect the demand for residences. Demand for residential lots of this type and the construction of homes thereon and the demand for commercial tracts of land can be significantly affected by factors such as interest rates, credit availability (see "Credit Market and Liquidity in the Financial Markets"), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

**Credit Markets and Liquidity in the Financial Markets**

Interest rates and the availability of mortgage and development funding have a direct impact on construction activity in the District, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the greater Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston or a decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

**Competition**

The demand for and construction of single-family homes in the District could be affected by competition from other residential developments located in the northern portion of the Houston metropolitan area. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developers in the sale of developed lots and the construction of single-family residential houses within the District by homebuilders is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in 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.

**Possible Impact on District Tax Rates**

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2023 Taxable Assessed Valuation is $231,067,651 ($205,768,421 of certified value plus $25,299,230 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be $2,045,225 (2025), and the average annual debt service requirement will be $1,602,647 (2024-2049 inclusive). Assuming no increase or decrease from the 2023 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, a tax rate of $0.94 per $100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and $0.74 per $100 taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the average annual debt service requirements. The Estimated Taxable Assessed Valuation as of June 15, 2023, is $269,695,080, which reduces the above calculations to $0.80 and $0.63, respectively. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

No representation or suggestion is made that the uncertified portion of the 2023 Taxable Assessed Valuation will not be adjusted downward prior to certification or the Estimated Taxable Assessed Valuation as of June 15, 2023 will be the amount finally certified by the Appraisal District and no person should rely upon such amount or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

**Potential Effects of Oil Price Volatility on the Houston Region**

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 property values within the District.

**Extreme Weather**

The greater Gulf Coast area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 27, 2017, and brought historic levels of rainfall during the successive four days.

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

**Specific Flood Type Risks**

*River (or Fluvial) Flood*: 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 sheetflow overland. 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 floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam, levee or reservoir also could potentially create a flooding condition in rivers, bayous or man-made drainage systems (canals or channels) downstream.

*Ponding (or Pluvial) Flood*: occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can over capacitate a drainage system which becomes trapped and flows out into streets and nearby structures until it reaches a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

**Tax Collections Limitations and Foreclosure Remedies**

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 local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial 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, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). 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 assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

**Registered Owners' Remedies and Bankruptcy Limitations**

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

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such 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, the 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 Owner could potentially and adversely impair the value of the Registered Owner's 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 the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

**Future Debt**

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid purpose. The District's voters have authorized a total of $96,427,500 principal amount of unlimited tax bonds for the purpose of constructing roads and related facilities and for refunding such bonds, $216,742,500 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, wastewater, and drainage facilities and for refunding such bonds and $27,001,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring park and recreational facilities and for refunding such bonds. After the issuance of the Bonds, $92,027,500 principal amount of the unlimited tax bonds for road facilities and for refunding such bonds, $196,152,500 principal amount of the unlimited tax bonds for water, wastewater and drainage facilities and for refunding such bonds and all of the authorized amounts for parks and recreational facilities and refunding such bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and could adversely affect the security for, and the investment quality and value of, the Bonds. See "THE BONDS—Issuance of Additional Debt."

To date, the Developers have advanced certain funds for engineering and construction of water, wastewater and drainage facilities, recreational facilities and roads and related facilities for which they have not been reimbursed. After the reimbursements are made with Bond proceeds, the District will owe approximately $27,000,000 plus interest to the Developers for the construction of utilities and paving. The District intends to issue additional bonds in order to reimburse the Developers and other landowners for existing development and to develop the remainder of undeveloped but developable land (approximately 94 acres, excluding approximately 12 commercial acres where trunk utilities are under construction). The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. Further, the outstanding principal amount of unlimited tax bonds issued by the District for constructing and/or acquiring park and recreational facilities may not exceed one percent (1%) of the District's taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. The issuance of additional bonds for water, wastewater and drainage facilities and park and recreational facilities is subject to approval by the TCEQ (as defined herein) pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

**Environmental Regulations**

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

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

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

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

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

The HGB Area is currently designated as a "moderate" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. 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.

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

On May 25, 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.

While the *Sackett* decision 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.

**Marketability of the Bonds**

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 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 bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

**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.

**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 retroactive to the date of original issuance. See "TAX MATTERS."

**Risk Factors Related to the Purchase of Municipal Bond Insurance**

The Underwriter has entered into an agreement with Build America Mutual Assurance Company ("BAM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE."

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer (the "Insurer") and its claim paying ability. The 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 Insurer and of the ratings on the Bonds insured by the 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 "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

The obligations of the Insurer are contractual obligations and in an event of default by the 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 has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the 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 Insurer, particularly over the life of the investment. See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

## MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon 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 Build America Mutual Assurance Company. No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made.

The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND INSURANCE."

## MUNICIPAL BOND INSURANCE

### Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this OFFICIAL STATEMENT.

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

### Build America Mutual Assurance Company

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

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

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.spglobal.com. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

*Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $486.0 million, $204.5 million and $281.5 million, respectively.

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

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

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

*Additional Information Available from BAM*

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

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

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

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

## LEGAL MATTERS

**Legal Proceedings**

Delivery of the Bonds will be accompanied by the unqualified 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 by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under "THE BONDS," "THE DISTRICT—General," "THE SYSTEM—Utility Agreement Between the City of Magnolia and the District," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS", and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

**No Material Adverse Change**

The obligations 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 OFFICIAL STATEMENT.

**No-Litigation Certificate**

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, 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, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or non encumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

## TAX MATTERS

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

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

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

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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

**Tax Accounting Treatment of Original Issue Discount Bonds**

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

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

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

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

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

**Not Qualified Tax-Exempt Obligations**

The Bonds are not "qualified tax-exempt obligations" for financial institutions.

# PREPARATION OF OFFICIAL STATEMENT

## Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this 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

Masterson Advisors LLC 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, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC 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.

*Tax Assessor/Collector*: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by Assessments of the Southwest, Inc., and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

*Engineer*: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water, wastewater and storm drainage system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by LJA Engineering, Inc., Consulting Engineers and has been included herein in reliance upon the authority of said firm as the District's Engineer.

*Auditor:* The District's financial statements the fiscal year ended July 31, 2022 were audited by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's July 31, 2022, financial statements.

*Bookkeeper:* The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—General Operating Fund" has been provided by Municipal Accounts & Consulting, L.P. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

## Updating the Official Statement

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

**Certification of Official Statement**

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement 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 are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the Board has relied in part upon its examination of records of the District, and upon discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

## CONTINUING DISCLOSURE OF INFORMATION

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

**Annual Reports**

The District will provide certain financial information and operating data to the MSRB through EMMA. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," except for Estimated Overlapping Debt and General Operating Funds, "TAX DATA," and in APPENDIX A (Financial Statements of the District). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2023. Any financial statements so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable period to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

**Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

**Availability of Information from the MSRB**

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

**Limitations and Amendments**

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered or 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 from time to time to adapt to the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of 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 made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the Registered Owners of a majority in aggregate principal amount of the Outstanding Bonds consent to the amendment 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 Registered and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. 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 2021, the District has complied in all material respects with its prior continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

## 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 statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

/s/ Dustin O’Neal
President, Board of Directors

ATTEST:

/s/ Chris Fonville
Assistant Secretary, Board of Directors

**AERIAL LOCATION MAP**
**(As of June 2023)**

# PHOTOGRAPHS OF THE DISTRICT
(As of June 2023)

# APPENDIX A

## Financial Statement of the District for the fiscal year ended July 31, 2022

# APPENDIX B

## Specimen Municipal Bond Insurance Policy